

Tax FAQ, Tax Year 2021

Apex is pleased to provide the following Frequently Asked Questions (FAQ) regarding the upcoming 2021 tax reporting season.

What tax forms does Apex generate and when will they be delivered?

- Based on the presence of reportable activity, Apex will create the following tax forms for any customer account held on our books and set-up for reporting. Absent an extension, Apex is required to deliver these forms to the account holder according to the schedule table by form, below.
- All tax forms, with the following exceptions, will be loaded to Apex Online and made available to the customer via mail or e-delivery. Form 2439 and PR480 series are not hosted on Apex Online.
- Correction runs are tentatively scheduled in three-week intervals and are based on need. If your customers own Mutual Funds, Real Estate Trusts (REITs), REMIC Securities or certain fixed investment trusts (WHFITs); issuers of these securities may publish income reclassification instructions after the original 1099 has been delivered. If your customers hold these securities or other securities subject to a reclassification event, they may receive a corrected Form 1099 which could impact your customers' tax returns and filing dates.
- Please note the collection and application of income reclassification instructions is compulsory for information reporting agents such as Apex Clearing. In order to better service our customers and provide a better experience for your account holders, Apex may place a hold on issuing amended tax forms in order to consolidate these instructions and lessen the number of amended forms provided to your customers.

Form	Used to Report	Scheduled Delivery Date
1099-R / 1099-Q	Distributions from qualified retirement plans and educational savings accounts	January 31, 2022
Consolidated 1099 1 st Run ^N	A consolidated tax document containing forms 1099-B, 1099-DIV, 1099-INT and 1099-MISC	February 7, 2022
Consolidated 1099 2 nd Run ^N	A consolidated tax document containing forms 1099-B, 1099-DIV, 1099-INT and 1099-MISC	February 15, 2022
PR 480.6A/B	Informative Return – Income Subject (Not Subject) to Withholding	February 28, 2022
1042-S	Foreign Person’s U.S. Source Income Subject to Withholding	March 15, 2022
1099-REMIC, NMWHFIT	Income from Real Estate Mortgage Investment Conduits Non- Mortgage Widely Held Fixed Income Trusts	March 15, 2022
2439	Notice to Shareholder of Undistributed Long-Term Capital Gains	March 31, 2022
5498-ESA	Contributions to qualified educational savings accounts	May 2, 2022
5498	Contributions to qualified retirement plans	May 31, 2022

^N In order to streamline processing and reduce the number of corrected tax forms for your customers, Apex will distribute our Consolidated 1099’s across two production runs:

- **Tuesday, February 7, 2022.**
- **Tuesday, February 15, 2022.**

Note: The delivery process may be initiated earlier than indicated to account for production needs and volumes.

Apex Email Domain Change

- As a reminder, please note that [Apex's email domain was updated in August 2021](#). Customers that have elected e-delivery of their tax forms may notice that the delivering email address has been updated to taxnotification@apexfintechdocuments.com.

IRA contribution deadline

- Due to the Emancipation Day holiday, the [deadline to make a 2021 IRA contribution has been extended to April 18, 2022](#). Residents of Maine and Massachusetts have until **April 19, 2022** due to the Patriots' Day holiday. You can find additional details in [IRS 1040 general instructions](#).
- IRA contribution limits remain the same. Details can be found [here](#).

Who receives a Consolidated 1099?

- All individuals receive a Consolidated 1099 if they are United States citizens or legal residents and have had reportable tax activity. In some cases, exempt recipients will receive a Consolidated 1099 due to being charged backup withholding that must be reported to the customer and the IRS.
- [Brokers are not required to file](#), but may file forms 1099-B, 1099-DIV, 1099-INT and 1099-OID for:
 - IRA's
 - [Corporations](#)
 - The United States
 - Charitable organizations
 - States or political subdivisions
 - Archer MSA's and health savings accounts, HSA's
- If the activity in your customers' accounts did not meet certain reporting thresholds set by the IRS, [a tax form will not be issued](#). De minimis values differ by form and income type. [For dividends and interest, de minimis is \\$10; for fraction shares \\$20, for miscellaneous income \\$600](#). Additional details regarding de minimis values have been provided with the forms identified in the next section of this FAQ.
- Additional information about these forms and related topics can be found on the IRS website under [General Instructions for Information Returns](#).

What is reported on the different forms?

1099-B

- Sales or redemptions of securities, futures transactions, commodities, options and barter exchange transactions.
- All sales of full shares regardless of amount will be reported on a Form 1099-B. Fractional shares may be subject to a de minimis reporting if under \$20.00.
- A Form 1099-B will be filed for any person for whom Apex withheld any federal tax for under the backup withholding rules regardless of the amount.
- **Note:** For non-covered securities, the cost basis information provided on your customers' 1099-B is for informational purposes only and is not reported to the IRS. Your customers will be responsible for providing this information when they file their returns.
- As a reminder, closing transactions for identical securities and for orders with the same disposition dates will be combined into fewer transactions. This change simplifies the presentation of the information being reported on Form 1099-B to your customers.
- Instructions: <https://www.irs.gov/pub/irs-prior/i1099b--2021.pdf>

1099-DIV

- Distributions such as dividends, capital gain distributions, or nontaxable distributions, that were paid on stock and liquidation distributions.
- Only amounts of \$10.00 or more for distributions paid on stock, or \$600 or more for liquidations are required to be reported on the form.
- File Form 1099-DIV for any person for whom you withheld and paid any foreign tax or from whom you withheld (and did not refund) any federal income tax under the backup withholding rules regardless of the amount.
- What's new for 2021 :
 - Section 897 gain. RICs and REITs should report any section 897 gains on the sale of United States real property interests (USRPI) in box 2e and box 2f.
- Instructions: <https://www.irs.gov/pub/irs-prior/i1099div--2021.pdf>

1099-OID | REMIC

- Original Issue Discount (OID) is the excess of an obligation's stated redemption price at maturity over its issue price (acquisition price for a stripped bond or coupon).
- File Form 1099-OID if the total daily portions of OID for a holder is at least \$10.00 and you are any of the following:
 - An issuer with any bond outstanding or other evidence of indebtedness in registered or bearer form issued with OID;
 - An issuer of a certificate of deposit (CD) made, purchased, or renewed after 1970 if the CD has OID and a term of more than 1 year.
 - A financial institution having other deposit arrangements, such as time deposits or bonus-savings plans, if the arrangements have OID and a term of more than 1 year.
 - A broker or other middleman holding an OID obligation, including CDs, as nominee for the actual owner.
 - A trustee or middleman of a Widely Held Fixed Investment Trust (WHFIT) or widely held mortgage trust (WHMT).
 - A Real Estate Mortgage Investment Conduit (REMIC), a holder of an ownership interest in a financial asset securitization investment trust (FASIT), or an issuer of a collateralized debt obligation (CDO).
- File Form 1099-OID for any person for whom you withheld and paid any foreign tax on OID or from whom you withheld (and did not refund) any federal income tax under the backup withholding rules even if the amount of the OID is less than \$10.00.
- Instructions: <https://www.irs.gov/pub/irs-prior/i1099int--2021.pdf>

1099-INT

- File Form 1099-INT for the following:
 - All interest income that is not already reported on other forms will be reported here.
 - Amounts \$10.00 or more are reported in boxes 1, 3 and 8.
 - For any person for whom you withheld and paid any foreign tax or from whom you withheld (and did not refund) any federal income tax under the backup withholding rules regardless of the amount.
- Instructions: <https://www.irs.gov/pub/irs-prior/i1099int--2021.pdf>

1099-MISC

- File Form 1099-MISC for the following:
 - At least \$10.00 in royalty payments, broker payments, in lieu of dividends or tax-exempt interest.
 - At least \$600.00 in miscellaneous income.
- **What's new for 2021:**
 - Due to the creation of Form 1099-NEC the IRS has revised Form 1099-MISC. Form 1099-MISC, Form 1099-NEC, and their associated instructions have been converted from an annual revision to continuous use. Both the forms and instructions are updated as needed. For the most recent version, go to <https://www.irs.gov/pub/irs-pdf/f1099msc.pdf> or www.irs.gov/form1099nec.
- Instructions: <https://www.irs.gov/pub/irs-pdf/i1099mec.pdf>

1099-R

- **Used to report distributions of \$10.00 or more from retirement or profit-sharing plans, any IRA, insurance contracts, and IRA re-characterizations** (including payments reported pursuant to an election described in Regulations section 1.1471-4(d)(5)(i)(B) or reported as described in Regulations section 1.1471-4(d)(2)(iii)(A)).
- **What's new for 2021:**
 - IRS [Notice 2020-62](#) contains the two model notices that may be provided to recipients of eligible rollover distributions to satisfy the notice requirements under section 402(f). For additional details see IRS Instructions for Forms 1099-R and 5498, Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice), page 5.
- Instructions: <https://www.irs.gov/pub/irs-prior/i1099r--2021.pdf>

2439

- Used to report undistributed long-term capital gains to shareholders of regulated investment company (RIC) or real estate investment trusts (REIT)
- **Instructions:** provided on form, <https://www.irs.gov/pub/irs-prior/f2439--2021.pdf>

5498

- Used to report retirement plan contributions (including rollover contributions) to any individual retirement arrangement, including a SEP, SIMPLE, and Roth IRA; Roth conversions; IRA re-characterizations; and the fair market value of the account.
- For additional information about IRAs, see IRS Publications, [590-A](#), [590-B*](#), and [560*](#).
- **What's new for 2021:**
 - IRS [Notice 2020-62](#) contains the two model notices that may be provided to recipients of eligible rollover distributions to satisfy the notice requirements under section 402(f). For additional details see IRS Instructions for Forms 1099-R and 5498, Explanation to Recipients Before Eligible Rollover Distributions (Section 402(f) Notice), page 5.
- **Instructions:** <https://www.irs.gov/pub/irs-prior/i5498--2021.pdf>

1099-Q

- Used to report distributions from qualified education programs (Under Sections 529 and 530).
- Form 1099-Q and these instructions have been converted from an annual revision to continuous use. Both the form and instructions will be updated as needed. For the most recent version, go to [IRS.gov/Form1099Q](https://www.irs.gov/Form1099Q).
- **Instructions:** <https://www.irs.gov/instructions/i1099q>

5498-ESA

- Used to report contributions made to Coverdell education savings account (ESA). For more information about Coverdell ESAs, see [IRS Publication 970*](#).
- **Instructions:** <https://www.irs.gov/instructions/i5498e>

1042-S

- **Used to report income and withholding from U.S. sources paid to foreign persons** (including persons presumed to be foreign) or included in a U.S. payee pool that are reportable under chapters 3 and 4.
- Amounts subject to reporting are amounts from sources within the United States that constitute (a) fixed or determinable annual or periodical (FDAP) income (including deposit interest); (b) certain gains from the disposal of timber, coal, or domestic iron ore with a retained economic interest; and (c) gains relating to contingent payments received from the sale or exchange of patents, copyrights, and similar intangible property.

- **What's new for 2021:**

- Income code 56 was added to address section 871(m) transactions resulting from combining transactions under Regulations section 1.871-15(n) (including as modified by transition relief under Notice 2020-2, 2020-3 I.R.B. 327, available at [IRS.gov/irb/2020-03_IRB#NOT-2020-2](https://www.irs.gov/irb/2020-03_IRB#NOT-2020-2), when applicable). Income code 56 should be used for any dividend equivalent pursuant to a transaction that is a section 871(m) transaction as a result of combining transactions, even if another income code could apply to the dividend equivalent. See Box 1, Income Code, later, for additional information.
- Income code 57 was added for use by brokers that are required to report or withhold on the transfer of interests in publicly traded partnerships (PTPs), including distributions made by PTPs. Specifically, new income code 57 was added to report the payment of an amount realized subject to section 1446(f). Section 1446(f) generally requires that if any portion of a gain on any disposition of an interest in a partnership would be treated under section 864(c)(8) as effectively connected gain, the transferee purchasing an interest in such a partnership from a non-U.S. transferor must withhold a tax equal to 10% of the amount realized on the disposition unless an exception to withholding applies. T.D. 9926 (84 FR 21198), published on November 30, 2020, contains final regulations (section 1446(f) regulations) relating to the withholding and reporting required under section 1446(f), which include withholding requirements that apply to brokers affecting transfers of interests in PTPs. Use of this status code is required beginning in 2023, when the provisions relating to withholding on transfers of interests in PTPs under section 1446(f) will be

in effect. See Notice 2021-51, 2021-36 I.R.B. 361, available at [IRS.gov/irb/2021-36_IRB#NOT-2021-51](https://www.irs.gov/irb/2021-36_IRB#NOT-2021-51), for additional information.

- Chapter 3 status code 38 has been added to report a payment to or from a PTP. The instructions for boxes 16a through 16e have also been updated to state that a withholding agent for a PTP distribution is required to provide the applicable information for the PTP in the payer's box (including code 38). See Boxes 16a Through 16e, Payer's Name, TIN, GIIN, and Status Code, later. See also Publicly Traded Partnerships (Section 1446 Withholding Tax), later.
- Limitation on benefits (LOB) code 12 has been added to report that there is no LOB article in the applicable tax treaty. See Box 13j, LOB Code, later, for general information about LOB codes.
 - Instructions: <https://www.irs.gov/pub/irs-pdf/i1042s.pdf>

Puerto Rico 480.6 Series

- Used to report certain income received by Puerto Rico taxpayers and Puerto Rico tax withholding.
- Only issued to Puerto Rico residents who earned reportable income and had income subject to Puerto Rico tax withholding.

What is backup withholding?

- Backup withholding requirements are governed by the IRS and are required to be enforced by all withholding agents on all non-exempt individuals and entities.
- Backup withholding is required to be reported on the appropriate Form 1099 regardless of the amount withheld. The \$10.00 de minimis rule does not apply when backup withholding has occurred.
- As a reminder, the current backup withholding rate is 24%. Additional information can be found on the IRS website under topic 307, <http://www.irs.gov/taxtopics/tc307.html>.

How does a corporation report earnings when no 1099s are received?

- C-Corporations are generally responsible for reporting any earnings that they receive based on financial statements that the company reports.
- S-Corporations, if declared, will receive a 1099 for their covered trading activity from Apex Clearing Corporation.

What happens when a client has the wrong TIN reported on the 1099?

- Please have the broker contact Apex Clearing's Tax department to have this corrected and a new form can be generated with the correct TIN.

How can I correct my cost basis that is reported on my 1099?

- If the cost basis information that is reported on your Form 1099-B is incorrect, you can report a correction to the IRS using Form 8949.
- **Instructions:** <https://www.irs.gov/forms-pubs/about-form-8949>

How do I make a Mark to Market election?

- In order to elect Mark to Market reporting, the customer will need to provide a notice that they have made a valid and timely mark to market election under section 475. They must specifically identify the account from which the securities were sold as containing only securities subject to this election. If the customer's election was made by filing a statement with their return, if possible, we would like a copy of that statement along with the signed, written notice. Please keep in mind that this election cannot be retroactively applied. It is effective from the point in time that it is received and acknowledged by Apex Clearing going forward.

Are there any updates for TurboTax?

- All customers with reportable information will be able to import their Consolidated 1099 information directly into Turbo Tax. In order to download this information, your customers will need to follow Intuit's on screen instructions.
- For your customers that utilize TurboTax, please note that the application contains data import limitations.
 - If there are more than 500 1099-B transactions per return, then the customer will need to utilize the desktop software version which can accommodate up to 2,200 1099-B transactions per return.
 - If the customer has a total number of transactions that exceeds these limits, they will not be able to use the TurboTax import function and may have to utilize other means to file their return.

What is a wash sale?

- The IRS does not allow you to deduct losses from sales or trades of stock or securities in a wash sale unless the loss was incurred in the ordinary course of your business as a dealer in stock or securities.
- A wash sale occurs when you sell or trade stock or securities at a loss and within 30 days before or after the sale you:
 - Buy substantially identical stock or securities;
 - Acquire substantially identical stock or securities in a fully taxable trade;
 - Acquire a contract or option to buy substantially identical stock or securities; or
 - Acquire substantially identical stock for your individual retirement account (IRA) or Roth IRA.
- **Additional information about wash sales:** [IRS publication 550*](#).

Does Apex charge for the mailing of tax forms?

- Yes, Apex charges a \$10.00 fee for the mail delivery of a tax form that can be provided to the customer via e-delivery.
- E-delivery is an alternative option to avoid this mail delivery fee. E-delivery allows your customers to have faster access to their tax forms and avoids the mailing fee altogether. Contact your customer service representative to learn more about E-delivery.

What cost basis lot relief methods does Apex offer?

FIFO: First In First Out (Default)

- Tax lot with the oldest purchase date will be sold first. This method ensures that if there are any shares eligible for long-term capital gains treatment, they will be sold first. Non-covered unallocated lots (lots without cost) will be sold before non-covered allocated lots (lots with cost).

LIFO: Last In First Out

- Tax lot with the most recent purchase date will be sold first.

HIFO: Highest In First Out

- Tax lots with the highest cost basis are sold first, regardless of when they were purchased. Because the highest cost basis shares are sold first, this method will harvest tax lots with losses first and then gains. It does not consider LT/ST, so if there is a tie between lots, FIFO is used.

MaxGain: Maximum Gain

- The MaxGain setting will first sell lots that would realize the largest taxable gain. This strategy should be used with care since its ultimate effect is to increase tax burden. The lots are selected in the following order:
 - Short-term capital gains, from biggest gain to the smallest gain
 - Long-term capital gains, from the biggest gain to the smallest gain
 - Long-term zero gain/loss

- Short-term zero gain/loss
- Long-term capital loss, from the smallest loss to the biggest loss
- Short-term capital loss, from the smallest loss to the biggest loss

MinTax: Minimum Tax

- Opposite of MaxGain. Maxit will determine the best lot to sell to minimize tax impact and lower tax burden. The lots are selected in the following order:
 - Short-term capital loss, from the biggest loss to the smallest
 - Long-term capital loss, from the biggest loss to the smallest
 - Short-term zero gain/loss
 - Long-term zero gain/loss
 - Long-term capital gains, from the smallest gain to the biggest
 - Short-term capital gains, from the smallest gain to the biggest
- **Special Note:** Regarding MINTAX there are two options:
 1. MINTAX all securities
 2. MINTAX all securities except Mutual Funds. Average cost for Mutual Funds

Are there any other changes that I should be aware of?

- As a reminder, [IRS Notice 2017-09](#) establishes a de minimis Safe Harbor of \$100.00 for information returns corrections. In effect, this change will reduce the number of corrected tax forms that your customers could potentially receive.

Where can you find additional information?

- The following documents are available on the IRS website, www.irs.gov. Several helpful instructions and publications are:
 - [2021 General Instructions](#)
 - [2021 Instructions for Form 1099-B](#)
 - [2021 Instructions for Form 1099-DIV](#)
 - [2021 Instructions for Form 1099-INT and 1099-OID](#)
 - [2021 Instructions for Form 1099-MISC2](#)
 - [2021 Instructions for Forms 1099-R and 5498](#)
 - [FATCA FAQ's - General - IRS Website](#)



- [Publication 509, Tax Calendars](#)
- [Publication 550, Investment Income and Expenses*](#)
- [Publication 551, Basis of Assets](#)
- [Publication 575 Pension and Annuity Income *](#)
- [Publication 590-A, Contributions to Individual Retirement Accounts](#)
- [Publication 590-B, Distributions from Individual Retirement Accounts *](#)

Please note at the time of hosting this notice, some of the documents referenced herein were pending updates. In those instances, those items have been marked with an asterisk () and the hyperlink provided will direct you to the main page of those documents where you can see the most up to date version.*

While Apex makes every effort to ensure that the information being reported is accurate, please note that the taxpayer is ultimately responsible for the accuracy and completeness of the tax returns that are filed on their behalf.

Thank you,
Apex Fintech Solutions