

Apex Clearing Corporation (“Apex”) is pleased to provide the following **Frequently Asked Questions (FAQ)** regarding the upcoming **2018 Tax Reporting Season**.

1. 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 records and setup for reporting. Absent an extension, Apex is required to deliver these forms by the dates listed below.

Form	Used to Report	Scheduled Mail Date
1099-R / 1099-Q	Distributions from qualified retirement plans and educational savings accounts	January 31, 2019
Consolidated 1099 1 st Run*	A consolidated tax document containing forms 1099-B, 1099-DIV, 1099-INT and 1099-MISC	February 5, 2019
Consolidated 1099 2 nd Run*	A consolidated tax document containing forms 1099-B, 1099-DIV, 1099-INT and 1099-MISC	February 15, 2019
PR 480.6A/B*	Informative Return – Income Subject (Not Subject) to Withholding	February 28, 2019
1042-S	Foreign Person’s U.S. Source Income Subject to Withholding	March 15, 2019
1099-REMIC, NMWHFIT	Income from Real Estate Mortgage Investment Conduits Non- Mortgage Widely Held Fixed Income Trusts	March 15, 2019
2439*	Notice to Shareholder of Undistributed Long-Term Capital Gains	April 1, 2019
5498-ESA	Contributions to qualified educational savings accounts	April 30, 2019
5498	Contributions to qualified retirement plans	May 31, 2019

*In order to streamline processes and reduce the number of corrected forms, Apex will distribute the Consolidated 1099’s across two production runs, Tuesday, February 5, 2019 and Friday, February 15, 2019. Please note: although these are two mailing dates for the consolidated 1099’s, the regulatory mail date is Friday, February 15, 2019.

Delineation between these two production runs is determined by the presence of securities subject to income reclassification held in your customers’ accounts. For example, if your customers maintained positions in Mutual Funds, Unit Investment Trusts, REIT’s or other securities subject to income reclassification, then the production of their tax forms would be deferred to the second run that is schedule for February 15th, 2019. If your customers did not hold positions subject to income reclassification, for example common stock such as Apple Inc. (AAPL), then their tax forms would be created during the first production run scheduled for February 5th, 2019.

Please note that correction runs are tentatively scheduled in two week increments and are based on need.

2. 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
- **If your customers own Mutual Funds, Real Estate Investment Trusts (REIT's), Real Estate Mortgage Investment Conduits (REMIC's) or Widely Held Fixed Income Trusts (WHFIT's), they may receive more than one Form 1099 due to income reclassification which could affect their tax return filing dates.**
- Additional information about these forms and related topics can be found on the IRS website under [General Instructions for Information Returns](#).

3. What is reported on the different tax forms?

- 1099-B
 - Sales or redemptions of securities, future transactions, commodities, options and barter exchange transactions.
 - All sales of full shares regardless of the 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 under the backup withholding rules regardless of the amount.
 - **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.**

- Instructions: [Here](#).
- 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 \$600.00 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.
 - Instructions: [Here](#).
 - **What's new for 2018:** New Section 199A Dividends
 - Box 5, section 199A dividends, must be completed to report section 199A dividends paid to the recipient. The amount paid is also included in box 1a.
 - Section 199A allows a deduction of up to 20% of the allowed entities' combined qualified real estate investment trust (REIT) dividends and qualified publicly-traded partnership (PTP) income, including qualified REIT dividends and qualified PTP income earned through pass-through entities. This affects dividends paid by a number of REIT's.
 - While the amount in box 5 can only be used by trusts, estates, partnerships, and S corporations to deduct qualified business income, it will be the 1099-DIV recipient's responsibility to determine whether they are eligible to use the amount in box 5 as a deduction.
 - For more information, please review the proposed regulations covering Section 199A ([REG-107892-18](#)) and the related [FAQs](#) on the IRS website.
- 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 CD's, 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: [Here](#).
- 1099-INT
 - All interest income that is not already reported on other forms will be reported here.
 - **Amounts \$10.00 or more are reported.**
 - File Form 1099-INT 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: [Here](#).
- 1099-MISC
 - **Used to report amounts at least \$10.00 in royalty payments, broker payments, in lieu of dividends or tax-exempt interest.**
 - Amounts at least \$600.00 in miscellaneous income.
 - Instructions: [Here](#).

- 1099-R
 - **Used to report distributions from retirement or profit-sharing plans, any IRA, insurance contracts, and IRA recharacterizations** (including payments reported pursuant to an election described in Regulations section 1.1271-4(d)(5)(i)(B) or reported as described in Regulations section 1.1471-4(d)(2)(iii)(A).
 - Instructions: [Here](#).
 - **What's new for 2018:**
 - No recharacterizations of conversions made in 2018 or later. A conversion of a Traditional IRA to a Roth IRA, and a rollover from any other eligible retirement plan to a Roth IRA, made after December 31, 2017, cannot be recharacterized as having been made to a Traditional IRA.
 - Reportable policy sale box. A new box has been added to show the date of a payment of reportable death benefits and added instructions to the recipient copy.
 - Two new distribution codes are available for box 7, C and M.
- 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 recharacterizations: **and the fair market value of the account**.
 - For information about IRA's, see IRS Publications, [590-A*](#), [590-B*](#), and [560*](#).
 - Instructions: [Here](#).
 - **What's new for 2018:**
 - No recharacterizations of conversions made in 2018 or later. A conversion of a Traditional IRA to a Roth IRA, and a rollover from any other eligible retirement plan to a Roth IRA, made after December 31, 2017, cannot be recharacterized as having been made to a traditional IRA.
 - A new rollover code "PO" is available for reporting qualified plan loan offset rollovers.
- 1099-Q
 - Used to report distributions from qualified education programs (Under Sections 529 and 530)

- Instructions: [Here](#).
- 5498-ESA
 - Used to report distributions made to Coverdell education savings account (ESA). For more information about Coverdell ESAs, see [IRS Publication 970*](#).
 - Instructions: [Here](#).
- 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.
 - Instructions: [Here](#).
 - **What's new for 2018:**
 - Boxes 9 and 11 of Form 1042-S have been switched and clarifying language has been added to those boxes on the form. Clarifying language has also been added to boxes 7b and 10 of the form, and the instructions for Boxes 7 through 11, Federal Tax Withheld.
 - The income codes, exemption codes, recipient status codes, and LOB codes have been moved to the end of the instructions (see Appendix A and Appendix B).
 - Appendix C has been added. It provides an expanded Example 1, which explains how to complete Form 1042-S for a payment of U.S. source FDAP income made directly to a beneficial owner.
 - Appendix B has been added. It provides a comprehensive example of how to complete Form 1042-S for gambling winnings made directly to a foreign individual.
 - Changes to withholding rates: For tax years beginning after December 31, 2017, the rate of withholding under section 1446 by a publicly traded partnership on a distribution of income effectively connected to a U.S.

trade or business has changed to 21% for corporate partners and 37% for all other partners.

- Change to codes: To reflect changes made to the Chapter 4 regulations regarding U.S. branches of foreign entities that act as intermediaries, Chapter 4 status codes have been added for U.S. branches treated as U.S. persons and U.S. branches not treated as U.S. persons that are reporting under Regulations section 1.1471-4.

4. What is Form 8966?

- Form 8966 is used to report information with respect to certain U.S. accounts, substantial U.S. owners of passive NFFEs, specified U.S. persons that own certain debt or equity interests in ODFFIs, and certain other accounts as applicable based on the filer's Chapter 4 status. Unless otherwise indicated, Reporting Model 2 FFIs should submit Form 8966 to report on its accounts consistent with instructions for PFFIs.
- Instructions: [Here](#).
- **What's new for 2018:** Identifying numbers for paper Forms 8966. Beginning in 2018, the unique identifying number must be entered in the "Identifier" box provided at the top of the form. If the filer is submitting an amended, corrected, or voided Form 8966, it must continue to include the same unique identifying number that was reported on the original Form 8966 that is being amended, corrected, or voided.
- **Who must file:**
 - PFFI. A PFFI must file Form 8966 to report information with respect to U.S. accounts, accounts held by ODFFIs, and accounts held by recalcitrant account holders (based on the pools described in Part V).
 - U.S. branch of an FFI not treated as a U.S. person. A U.S. branch of an FFI that is not treated as a U.S. person is subject to the same Form 8966 reporting requirements as a PFFI. See Regulations section 1.1471-4(d)(2)(iii)(C).
 - RDCFFI. An RDCFFI must file Form 8966 to report a U.S. account for which it has reporting obligations as a condition of its applicable RDCFFI status. See Regulations section 1.1471-5(f)(1)(i) or an applicable Model 2 IGA.
 - Related entity or branch described in an applicable Model 2 IGA. A related entity or branch described in an applicable Model 2 IGA must file Form 8966 to report a U.S. account to the extent permitted under the relevant laws pertaining to the branch or FFI.

- Reporting Model 2 FFI. A Reporting Model 2 FFI must file Form 8966 to report information with respect to U.S. accounts, accounts held by ODFIs, and non-consenting U.S. accounts (based on the pools described in the instructions for Reporting Model 2 FFIs in Part V).
- Qualified Intermediary (QI), Withholding Foreign Partnership (WP), or Withholding Foreign Trust (WT). A QI, WP, or WT must file Form 8966 to report on its accounts, partners, beneficiaries, or owners, as applicable and as provided in its QI, WP, or WT agreement.
- Direct Reporting NFFE. A Direct Reporting NFFE must file Form 8966 to report its substantial U.S. owners or report that it has none. See Regulations section 1.1472-1(c)(3).
- For the latest information about developments related to Form 8966 or its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8966](https://www.irs.gov/Form8966).

5. What is backup withholding?

- Backup withholding requirements are governed by the IRS and are required to be enforced by all withholding agents on all nonexempt 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.
- Effective January 1, 2018 the backup withholding rate has been reduced to 24%.
- Additional information can be found on the IRS website under topic 307, <https://www.irs.gov/taxtopics/tc307>.

6. 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.

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

- Please have the broker contact Apex Clearing's Tax Department so it can be corrected and a new form can be generated with the correct TIN.
- In order to help alleviate these types of issues, you may wish to review and validate your account setups.

8. 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: [Here](#).

9. How do I make a Mark to Market election?

- In order to elect a 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 form 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 for by Apex Clearing going forward.

10. Are there any updates for TurboTax?

- All customers with reportable information will be able to import their Consolidated 1099 information directly into TurboTax. In order to download this information, your customers will need to follow Intuit's on-screen instructions.
- Please note that your customers no longer need to enter a "10-" before entering their account number.
- 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 TurboTax's import function and may have to utilize other means to file their return.

11. 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.
- If you would like additional information about wash sales please see [IRS Publication 550](#).

12. Does Apex charge for the mailing of tax forms?

- Yes, Apex charges a \$5.00 fee for the mail delivery of a tax form that can be provided to the customer via eDelivery.
- 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 Client Partner to learn more about E-Delivery.

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

- The IRS has issued Publication 5307 to cover tax reform changes for individuals and families. Your customers may find some useful information [here](#).
- The IRS has made available an updated version of the W9. This update will not impact your customers directly; however, in the event that a W9 is needed to certify an account, any other version of the W9 will be rejected. For your convenience we are providing a link to the new document. [Form W-9, Rev. October 2018](#).
- The IRS has implemented a social media platform in order to share important updates to taxpayers. You can read the IRS press release [here](#). The IRSNews account ([@irsnews](#)) will provide taxpayers the latest information on a variety of topics as taxpayers face numerous tax law changes for the upcoming 2019 filing season related to the Tax Cuts and Jobs Act.

- 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. In previous tax years, Apex applied a \$10.00 threshold for corrections and this change will increase that threshold to \$100.00. For example, if your customer receives a \$50.00 dividend distribution from a mutual fund that is later reclassified as interest income, in previous tax years this would be reclassified to interest income; however, with the implementation of this guideline this distribution will remain dividend income.
- The Internal Revenue Service increased contribution limits to account for cost of living adjustments for pension plans and other retirement-related items for tax year 2019. For details, you can read the IRS Press release [here](#).

14. Where can you find additional information?

- The following documents are available on the IRS website, www.irs.gov. Several helpful instructions and publications are:
 - [2018 General Instructions](#)
 - [2018 Instructions for Form 1088-B](#)
 - [2018 Instructions for Form 1099-DIV](#)
 - [2018 Instructions for Forms 1099-INT and 1099-OID](#)
 - [2018 Instructions for Form 1099-MISC*](#)
 - [2018 Instructions for Forms 1099-R and 5498](#)
 - [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 above were still pending updates. In those instances, those items have been marked with an asterisk (*) and the hyperlink will direct you to the main page of those documents where you can see the most up to date version.

While Apex Clearing 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.