

# General Tax Information

**Subsequent and/or Amended Tax Forms Are Possible** – If you hold investments in a regulated investment company (RIC), real estate investment trust (REIT), unit investment trust (UIT), foreign security or any other instrument that experiences income reclassification, you may receive one or more corrected/amended tax form(s) that will include information provided by these issuers after your original tax form was printed. In addition, information regarding whether or not a dividend paid by a foreign company is eligible for the qualified dividend tax rate is subject to change. Dividend amounts are based on the best information available to us from the various paying agents at the time your Forms 1099 are prepared for printing. Portions of distributions initially reported as ordinary dividends may later be reclassified by the issuer as qualified dividends, return of capital, short-term capital gain or long-term capital gain distributions. A corrected tax form will be issued to you reflecting any late reclassification information we receive from issuers or paying agents. BB&T Securities will not be responsible for any costs related to your filing an amended tax return as a result of BB&T Securities receiving reclassification information from the issuer or any subsequent revisions by the issuer of previously provided information after we have printed your original Forms 1099. **Forms 1099 are mailed to you between late January and mid-March. Any amended forms will be mailed to you beginning late February and continuing as needed. Please ensure that you have received required tax forms for all accounts and investments that may have taxable activity before completing your tax return.**

**Original and Adjusted Cost Basis Information for Certain Fixed Income Securities** – The cost basis information provided for municipal and taxable bonds has been adjusted for amortization and accretion, where appropriate, using the Constant Yield method and is displayed in the Cost or Other Basis column in the 1099-B section of the 1099 Consolidated Tax Statement. Your tax advisor should be consulted to determine if you should use the Adjusted Cost displayed or the Original Cost from your trade confirmation when completing your Form 8949 and Schedule D – and determining your Gain/Loss for any fixed income securities that were sold, redeemed or matured. BB&T Securities provides no cost basis information for fixed income securities to the IRS for tax years prior to 2014.

**Collateralized Mortgage Obligation (CMO), Collateralized Debt Obligation (CDO), Real Estate Mortgage Investment Conduit (REMIC) and Widely Held Mortgage Trust (WHMT) Holders** – If you own a CMO, REMIC, WHMT or certain CDO securities, all reporting information on these accounts will be mailed to you no later than March 17<sup>th</sup>. Income derived from REMIC securities must be reported using the accrual accounting method. This means the interest appearing on your Form 1099 OID/REMIC is reported on an accrual basis rather than a cash basis.

**Original Issue Discount (OID) Reporting on Form 1099-OID** – Generally OID is the difference between the stated redemption price at maturity and the issue price of a bond, debenture, note or other evidence of indebtedness, or the acquisition price of a stripped bond or coupon. Form 1099-OID reporting is required for obligations with a term of more than one year where some or all of the interest is payable at maturity. OID is a form of interest and is taxable over the life of the obligation. The holder must accrue a portion of the interest income each year, and include it on their income tax return. This income is not reported on the monthly statements. While this method of reporting income generally applies to debt obligations originally issued at a discount, other types of investments such as contingent payment debt instruments require accrual based reporting in the form of OID in lieu of the actual interest payments you received. The amount of accrual often differs from the cash payments.

**Regulated Investment Companies (RIC) Notation** – Dividends on RIC issues (i.e. Closed- or Open-End Funds; Real Estate Investment Trusts) having record dates in October, November or December and paid prior to February 1 of the following year are reportable and taxable in the year of the record date. Such a dividend is identified on your Form 1099-DIV and will **not** be reported on your Form 1099-DIV next year.

**Constructive Receipt of Income** – Generally, income will be reported to you for the year in which it is credited to your account. According to IRS regulations, “income, although not actually reduced to a taxpayer’s possession, is constructively received by him in the taxable year during which it is credited to his account.” For example, if a bond pays interest in 2014 with a record date in 2013, the interest will not be reported to you until 2014.

**Unit Investment Trusts (UIT)** – UITs that are considered grantor trusts for income tax purposes actually pass through a proportionate share of their income and expenses to each unit holder. The unit holder is required to pay taxes on income during the year in which it is earned by the trust, even if the trust did not distribute that income in the same year. Please be aware that complex reporting requirements for these investments often result in amounts reportable to you and the IRS that are different from what appears on monthly statements.

**Limited Partnership Distributions (K-1)** – If you owned units in a limited partnership in the previous year, you will receive a Schedule K-1 (Form 1065) directly from the partnership you own. General partners have until March 15 of the current calendar year (or the next business day if March 15 falls on a weekend or holiday) to issue K-1s. If you do not receive your K-1, or if you have further questions about it, you must contact the partnership directly. Additional information is available in IRS Publication 541 or by visiting [www.partnerdatalink.com](http://www.partnerdatalink.com) or [www.taxpackagesupport.com](http://www.taxpackagesupport.com).

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Comments regarding tax implications are informational only. BB&T Securities, LLC does not provide tax advice.  
You should consult your tax advisor before taking any action that may have tax consequences.  
Accounts are carried by BB&T Securities, LLC, Member FINRA/SIPC.

**Worthless Securities** – For information on how to report worthless securities on your tax return, please refer to IRS Publication 550 (see Worthless Securities). You must take this loss by the end of the first tax year for which you determined the shares to be worthless. No Form 1099-B is required. You should report a security as worthless only if you are absolutely certain no more payments will be received.

**Alternative Minimum Tax (AMT)** – The tax laws give preferential treatment to certain types of income and allow special deductions and credits for certain kinds of expenses. AMT attempts to ensure that anyone who benefits from these tax advantages pays at least a minimum amount of tax. The AMT is a separately-figured tax that eliminates many deductions and credits, thus increasing tax liability for an individual who would otherwise pay less tax. The tentative minimum tax rates on ordinary income are percentages set by law. For capital gains and certain dividends, the rates in effect for the regular tax are used.

**Investment Expenses** – UIT expenses classified as Investment Expenses include operating expenses related to portfolio supervision, administration, evaluation, trustee fees and bookkeeping. The investment expenses may be offset against reportable income and may be taken as a deduction by an investor on Form 1040. The trustees supply investment factors in a variety of formats, most often, as a factor of distributed income. The factor may also be based on distributed principal for the tax year or units held at year-end.

**Undistributed Long-term Capital Gains (Otherwise known as Form 2439)** – Form 2439 is issued to report your total undistributed long-term capital gain from your regulated investment company (RIC) or real estate investment trust (REIT). These entities may retain some long-term capital gains and pay taxes on those undistributed amounts. Shareholders can take a credit for their share of any tax paid by the RIC or REIT because it is considered paid by the investor. When you report undistributed long-term capital gains from a RIC or REIT, you must increase your basis of the shares. Please read the instructions carefully for Form 2439.

**Widely Held Fixed Investment Trust (WHFIT) Information Reporting** – In 2010, the IRS finalized regulations for WHFITs which impacted 1099 reporting. IRS reporting requirements stipulate that nominees must report all items of gross income, expense and credit and any other information that may affect a beneficial owner's tax liability. As a result, BB&T Securities is required to report to you certain information supplied by the issuer/trustee not previously reported. This information is more comprehensive with respect to gross income and expenses and includes other data that may be necessary to file a return such as a monthly principal factor, a monthly expense factor, market discount fraction, cost basis allocation factor or an adjusted basis percentage. Some common securities that fall under the WHFIT umbrella include some unit investment trusts, royalty trusts, commodity trusts and many mortgage pools issued by Ginnie Mae, Fannie Mae, and Freddie Mac. These instruments are structured as grantor trusts where the investor is treated by the Internal Revenue Code as if they directly own the underlying assets of the trust. Items of income and expense are passed through to the unitholder in the same nature they were received or paid by the trust.

Income from WHFITs must be reported and recognized when received by the trust, not when actually distributed to investors. This method of reporting based on record date as opposed to payment date is commonly referred to as receipt based reporting. As a result, the dates associated with income distributions from WHFITs reflected on Forms 1099 indicate the date the income was received by the trust and often will differ from when that income was distributed to the investor. In some instances income is distributed to the investor in one year but required to be reported and taxed in the prior year. For example, WHFIT income paid in the first quarter of 2021 may be required to be reported and taxed in 2020. The trustees are responsible for supplying relevant reporting information to financial services firms by January 31st. BB&T Securities, in turn, has a deadline of March 15th to furnish this information to you. Due to the timing, if you hold assets of this nature you will likely receive an initial 1099 in March.

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You should consult your tax advisor before taking any action that may have tax consequences.

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