

2010 Tax Guide

Explaining your 1099 Forms

This 2010 Tax Guide was prepared in a continuing effort to provide quality service and to keep you informed of any changes in tax reporting. The Consolidated Form 1099-INT-DIV-B-OID will include, if applicable, a separate Form 1099-MISC along with a detailed income statement of both taxable and tax exempt income.

WHAT'S NEW

Interest Income: Form 1099-INT

Reporting credits from qualified school construction bonds and Build America bonds issued after February 17, 2009 are included in box 1.

Box 10 was added to display CUSIP number (s) for tax-exempt bond (s) on which interest was paid to you during the calendar year and reported in box 8. If the amount in box 8 is an aggregate of interest from more than one bond the word "various" will appear in box 10. Refer to the 1099 Interest Income Details for individual CUSIP.

Widely Held Fixed Investment Trust (WHFIT)

The Internal Revenue Service requires trustees and middlemen of widely held fixed investment trusts (WHFITs) to report all items of gross income and proceeds on the appropriate Form 1099. If you hold investments classified as widely held fixed investments trusts, (i.e. WHFITs and UIT) information is not included on the original 1099, however a corrected copy will be sent to you by **March 15, 2011**.

Tax Identification Number (TIN)

The first five digits of the social security number (SSN) are concealed for security purposes.

Please review all information on your 1099 forms and detailed income statement. While we verify the information reported, reclassification of income by an issuer such as a mutual fund may necessitate a corrected Consolidated Form 1099. If you hold mutual funds, REIT securities and/or widely held fixed investment trust, you may wish to consider this before filing your return. If you have any questions relating to the information reported, or believe there is an error, immediately contact your Account Executive (AE). In addition, we suggest that you discuss your tax reporting questions with a qualified tax advisor.

In accordance with the Internal Revenue Service (IRS) regulations, all tax information required to be sent to both you and the IRS on the Consolidated Form 1099 was prepared with specific instructions. Information reported in one category is not duplicated in another. J.P. Morgan Clearing Corp. mails a Consolidated Form 1099 to the last known address for each account held in the client's name. If you have received a Consolidated Form 1099 with an account number of 158-00001 through 159-99999, please refer to the Frequently Asked Questions (FAQs) section, page 8 for additional information.

Only one copy of each form is produced. For additional copies, please send us a written request. **RETAIN YOUR CONSOLIDATED FORM 1099, FORM 1099-MISC, AND THE DETAILED INCOME STATEMENT FOR YOUR TAX RECORDS.**

It is important that you understand all possible implications of the current tax laws. The penalties for incorrect reporting may greatly outweigh the cost of seeking professional tax advice.

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THIS TAX GUIDE IS FOR INFORMATIONAL PURPOSES ONLY AND SHOULD NOT BE CONSTRUED AS TAX ADVICE.

Administrative Information

J.P. MORGAN CLEARING CORP. 3 METROTECH CENTER BROOKLYN, NY 11245	Account No: 000-00000 1 Account Name: CUSTOMER NAME 3 Taxpayer Identification Number: xxx-xx-0000 4 Account Executive No: xxx 5 ORIGINAL: / /11 6	INTRODUCING FIRM XYZ CORPORATION 2
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RECIPIENTS Name, Street Address, City, State, Zip Code 7

Payer's Federal Identification Number: 00-0000000 8
 Payers Name, Street, City, State, Zip Code

J.P. MORGAN CLEARING CORP. 9

Copy B for recipient ☐ 2nd TIN Notice 10

Telephone Number: (212) 272 - 0495

1. Your account number at J.P. Morgan Clearing Corp.
2. Telephone number of introducing firm that handles your transactions, if applicable. This firm clears its transactions on a fully disclosed basis through J.P. Morgan Clearing Corp., making J.P. Morgan Clearing Corp. the payer and tax reporting agent.
3. Your account name at J.P. Morgan Clearing Corp.
4. The employer identification number (EIN) or the last four digits of the social security number (SSN).
5. Account Executive's (AE) identification number. The name and number of your AE appear on your monthly statement.
6. The original and/or corrected Consolidated Form 1099 will be dated.
7. Your name and address as of December 31, 2010.
8. Tax Identification Number (TIN) of J.P. Morgan Clearing Corp.
9. J.P. Morgan Clearing Corp. is the payer that clears and reports your transactions both to you and the IRS. The firm's name, address and telephone number are provided for questions regarding this Consolidated Form 1099.
10. 2nd TIN Notice: This box will be checked if J.P. Morgan Clearing Corp. has notified you twice within the past three years that your tax identification number (TIN) is incorrect or missing.

Contact Information

1099 Tax Reporting	(212) 272 - 0495	
Retirement Services	(347) 643 - 9603	
Internal Revenue Service (IRS)	(800) 829 - 1040	www.irs.gov
Social Security Administration (SSA)	(800) 772 - 1213	www.ssa.gov

Dividends & Distributions (1099-DIV)

2010 Form 1099-DIV: DIVIDENDS AND DISTRIBUTIONS (OMB NO. 1545-0110)

1a	Total Ordinary Dividends	\$X,XXX.XX
1b	Qualified Dividends	\$X,XXX.XX
2a	Total Capital Gains Distribution	\$X,XXX.XX
2b	Unrecap Sec. 1250 gain	—
2c	Section 1202 gain	—
2d	Collectibles (28%) gain	—
3	Non dividend distributions	—
4	Federal Income Tax Withheld	—
5	Investment Expenses	—
6	Foreign tax paid	\$XXX.XX
7	Foreign country or U.S. possession	Various
8	Cash liquidation distributions	—
9	Noncash liquidation distributions	—

- 1a. Includes all taxable ordinary dividends and any short-term capital gain distributions from mutual funds that are fully taxable.
- 1b. The portion of the amount in box 1a that may be eligible for the 15% or 0% capital gain rates. See Form 1040/1040A instructions on how to determine this amount. Report the eligible amount on line 9b, Form 1040/1040A.
- 2a. Total capital gain distributions (long term) from a regulated investment company (RIC) or real estate investment trust (REIT). Report the amount shown in box 2a on line 13 of Schedule D (Form 1040).
- 2b. The portion of the amount in box 2a that is Unrecaptured Section 1250 Gain from certain depreciable real property. Report this amount on the Unrecaptured Section 1250 Gain Worksheet – Line 19 in the Schedule D instructions (Form 1040).
- 2c. The portion of the amount in box 2a that is Section 1202 gain from a certain small business stock that may be subject to a 50% exclusion and certain empowerment zone stock that may be subject to a 60% exclusion. See the Schedule D (Form 1040) instructions.
- 2d. 28% rate gain from sales or exchanges of collectibles. If required, use this amount when completing the 28% Gain Worksheet – Line 18 in the instructions for Schedule D (Form 1040).
3. Shows part of the nontaxable because it is a return of cost (or other basis). You must reduce your cost (or other basis) by this amount for figuring gain or loss when you sell your stock.
4. Federal income tax withheld (TEFRA) and remitted to the IRS. **Include this amount on your income tax return as tax withheld.**
5. Shows your share of expenses of a nonpublicly offered regulated investment company, generally a nonpublicly offered mutual fund. **This amount is included in box 1.**
6. Foreign tax paid, reported in U.S. dollars. You may be able to claim this tax as a deduction or a credit on your Form 1040. See your Form 1040 instructions.
7. Foreign country or U.S. possession to which the withheld tax applies.
8. Cash amount distributed as a partial liquidating payment.
9. The fair market value (noncash) of stock on the date of distribution.

Interest Income (1099-INT)

2010 Form 1099-INT: INTEREST INCOME (OMB NO. 1545-0112)

1	Interest Income not included in Box 3	\$XX,XXX.XX
2	Early withdrawal penalty	—
3	Interest on U.S. Savings Bonds and Treasury obligations	—
4	Federal Income Tax Withheld	—
5	Investment Expenses	—
6	Foreign Tax Paid	\$XX.XX
7	Foreign Country or U.S. Possession	Various
8	Tax-Exempt Interest	—
9	Specified Private Activity Bond Interest	—
10	Tax-Exempt Bond CUSIP No.	Various

1. Includes all taxable interest, except on U.S. savings bonds and Treasury obligations. May include total amount of credits from tax credit bonds that must be included in your interest income. These amounts were treated as paid to you during 2010 on the credit allowance dates (March 15, June 15, September 15, and December 15). For more information, see Form 8912, Credit to Holders of Tax Credit Bonds.
2. Interest or principal forfeited because of early withdrawal of time savings.
3. Interest on U.S. Savings Bonds, Treasury bills, Treasury notes, and Treasury bonds not included in box 1.
4. Federal income tax (TEFRA) withheld and remitted to the IRS. **Include this amount on your income tax return as tax withheld.**
5. Any amount shown is your share of investment expenses of a single-class REMIC. If you file Form 1040, you may deduct these expenses on the "Other expenses" line on Schedule A (Form 1040), subject to the 2% limit. **This amount is included in box 1.**
6. Foreign tax paid, reported in U.S. dollars. You may be able to claim this tax as a deduction or a credit on your Form 1040. See your Form 1040 instructions.
7. Foreign country or U.S. possession to which the withheld tax applies.
8. All tax exempt interest, including exempt – interest dividends from mutual funds or other regulated investment companies. Report this amount on line 8b of Form 1040 or Form 1040A.
9. Tax-exempt interest subject to alternative minimum tax. **This amount is included in box 8.** See the instructions for Form 6251, Alternative Minimum Tax - Individuals.
10. CUSIP number of the tax-exempt bond for which tax-exempt interest is reported in box 8. If the amount in box 8 is aggregate, the word "Various" will appear.

Gross Proceeds (1099-B)

2010 FORM 1099-B: PROCEEDS FROM BROKER & BARTER EXCHANGE TRANSACTIONS (OMB NO. 1545-0715)

(Box 1a)	(Box 7)	(Box 1b)	(Box 2)	(Box 4)	
Date of Sale or Exch	Description	CUSIP	Stocks, bonds, etc. Gross proceeds less commissions & option premiums	Federal Income Tax Withheld	Transaction Description
02/12	COVENTRY CORP QUANTITY: 2,138	222853101	\$XX,XXX.XX	-	
03/12	***EURO PACIFIC GROWTH FUND SBI QUANTITY: 164	298706102	\$XXX.XX	-	SHORT SALE
10/24	SUBMICRON SYSTEMS CORP QUANTITY: 125,500	864313AC3	\$XX,XXX.XX	-	
3 ITEMS – Total			\$XXX,XXX.XX		

Form 1099-B reports both gross proceeds and changes in corporate control and capital structure, net of commissions, on a trade or effective date basis. Each transaction listed on Form 1099-B includes the trade date, brief security description, CUSIP reference number, total amount of money received from the transaction, federal income tax (TEFRA) withheld on settlement date, if applicable, and quantity. Additionally, changes in control or changes in capital structure transactions will include the corporation's name, address and EIN number, class type of the exchange and whether or not you can report the loss.

Any sale with a 2010 trade date settling in January 2011 will be recorded on the 2010 Form 1099-B. If federal income tax (TEFRA) was withheld, it is deducted on settlement date and will not be reported until 2011. Proceeds from Treasury bills sold before redemption are reported on Form 1099-B. Exchanges involving Quarterly Income Debt Securities, mutual funds, etc., are reported at fair market value on the date the new security commences trading. Consult with your tax advisor to analyze the federal, state and local tax consequences on these securities. Accrued interest earned as part of the gross proceeds on a bond sale is reported separately on Form 1099-INT based on settlement date. Principal payment for mortgage and asset backed securities is reported based on effective date.

Proceeds required to be reported on your Capital Gain and Loss Schedule may be different than the amount reported on Form 1099-B. For example, opening short sales listed on Form 1099-B may not be taxable this year. Also, the original cost basis for obligations receiving principal paydowns and reported in 2010 must be adjusted. You are required to reconcile and explain any differences to the IRS on Form 1040, Schedule D. Additionally, you may be required to recognize a gain from the receipt of cash, stock or other property that was exchanged by the corporation's stock.

The column to the right of each transaction denotes the source of revenue as shown here:

Transaction Description Types	
ADJUSTMENT	Foreign transactions converted to U.S. dollars; corrections of previous 1099-B entries
CANCEL	
CASH-IN-LIEU	Greater than \$20
LIQUIDATION	
MERGER	
No Code	Sale
PRN Paydown	Principal Paydown
REDEMPTION	
SHORT SALE	
TENDER	For any stock or debt obligation

Original Issue Discount (1099-OID)

2010 FORM 1099-OID: ORIGINAL ISSUE DISCOUNT (OMB NO. 1545-0117)

	(Box 5)	(Box 1)	(Box 6)
	Security Description	Original Issue Discount for 2010	Original Issue Discount on U.S. Treasury Obligations
	FEDERAL HOME LOAN MTG CORP DUE 07/15/2035 AT 4.517%	\$XXX.XX	
	U.S. TREASURY DUE 08/25/2010 AT 5.006%		\$X,XXX.XX
Total Original Issue Discount Activity			
1 ITEM – Other than U.S. Treasury obligations		\$XXX.XX	
1 ITEM – U.S. Treasury obligations			\$X,XXX.XX

*** This may not be the correct figure to report on your income tax return. See instructions for Form 1099-OID.**

Box 1. Shows the OID on the obligation for the part of the year you owned it. Report the amount in box 1 as interest income on your tax return. However, you may need to adjust this amount if you paid acquisition premium or bond premium (see IRS Publication 1212 for more information).

5. Description and maturity date of an individual obligation.

6. OID on a Treasury obligation. Report this amount on your federal income tax return; refer to IRS Publication 1212 for any adjustments to this amount. This OID is exempt from state and local income taxes and is not included in box 1.

The OID interest reported on Form 1099-OID is based on the assumption that the debt instrument was bought on the date it was originally offered to the public at the initial offering price. OID represents the difference between the stated redemption price at maturity and the original issue price of the bond, debenture, note or other debt instrument. OID is reported as it accrues, whether or not any payments are received prior to maturity. OID is taxable over the life of the obligation and is calculated based upon the number of days during the year that you actually held the security.

If the debt instrument was not bought at original issue price, an adjustment to the amount reported on Form 1099-OID may be necessary when preparing your tax return. However, the amount reported on Form 1099-OID should be included on Schedule B of your federal income tax return and adjusted based on your cost. We recommend that you obtain a copy of IRS Publication 1212 and/or consult with your tax advisor.

Details on OID for REMIC, CMO, WHFIT and UIT securities are not included on the original Consolidated Form 1099; instead they will be reported on a corrected Consolidated Form 1099, mailed and postmarked no later than March 15, 2011.

Miscellaneous Income (1099-MISC)

2010 FORM 1099-MISC: MISCELLANEOUS INCOME (OMB NO. 1545-0115)

(Box 1)	(Box 2)	(Box 3)	(Box 4)	(Box 7)	(Box 8)	(Box 14)
Rents	Royalties	Other Income	Federal Income Tax Withheld	Non-Employee Compensation	Substitute Payments in Lieu of Dividends and Interest	Gross Proceeds paid to an Attorney
-	-	-	-	-	\$XXX.XX	-

Box 1. Report rents from real estate on Schedule E (Form 1040). If you provided significant services to the tenant, sold real estate as a business, or rented personal property as a business, report on Schedule C or C-EZ (Form 1040).

2. Gross royalties before reductions for fees, commissions and expense is reported in box 2 of Form 1099-MISC.

3. Other income may include prizes, awards (not for services rendered), punitive and other taxable damages paid over \$600.00 (e.g., contract fees).

4. Federal income tax withheld, either by IRS mandate or if you have not provided certification of your tax TIN. Include this amount on your income tax return as tax withheld.

7. May include fees, commissions, prizes and awards for services rendered.

8. Payment in lieu of (a) tax-exempt interest to the extent that interest (including OID) has accrued while a short sale was open, and (b) a dividend, if the ex-dividend date is after the transfer of stock for use in a short sale, but before the closing of the short sale. Payments in lieu of interest and dividends are required to be reported on Form 1099-MISC certain accounts, including corporate accounts.

14. Shows gross proceeds paid to an attorney in connection with legal services. Report only the taxable part as income on your tax return.

Explanation of Detailed Income Statement

The detailed income statement is a summary of your 2010 Consolidated Form 1099 reportable & non reportable investment activity. The statement includes totals for the various types of income; e.g., dividends, capital gain distributions, substitute payments and interest. Also detailed are purchases and all option transactions, including those that will settle after December 31, 2010, and the original issue discount (OID) for each applicable debt obligation held.

Dividends

The securities are listed alphabetically and chronologically by payment order. A total of non-qualifying dividends, qualifying dividends, investment expenses, long term gains, Unrecaptured section 1250 gains, Section 1202 gains, Collectibles 28% gain, return of capital, liquidations, and if applicable, TEFRA or foreign tax withheld.

Interest

Includes the total of credit interest, listed alphabetically and chronologically by payment. In addition there is a separate total of non-government and U.S. government interest, interest subject to alternative minimum tax (AMT), and a total for tax-exempt interest/dividends. Interest received can be classified as non-government, U.S. government, tax-exempt interest from municipal bonds, or tax-exempt dividends from mutual funds or other regulated investment companies. Also includes early withdrawal penalty and investment expenses.

Miscellaneous Income

Contains information on rent, royalty income (K-1 was not issued), non-employee compensation, substitute payments, attorney fees and other income.

Tax Exempt Original Issue Discount

Includes the description of an instrument, CUSIP number and total OID amount for each security.

Investment Activity Details

All 2010 purchases listed in chronological order, CUSIP number, security description, transaction type, quantity, price and amount. All 2010 principal accretions and reinvestments are listed in CUSIP and date order. Other distributions, including stock spin-offs and stock splits are included in this section. Options trades – includes purchases, sales and expirations (broker-dealers are not required to report option trades to the IRS; therefore, they are not included on Form 1099-B.) **Sales proceeds are only provided on 2010 Consolidated Form 1099-B.**

Other Distributions & Charges

A total of margin interest and short debit fees, ADR fees, master limited partnerships (MLPs), short accrued interest, short charges and distribution.

Collateralized Obligations (REMIC/CMO Information)

Separate statement for each security, listed with the description, CUSIP number, maturity date, amount reported on 1099-OID and/or 1099-INT, total position, days held, OID and/or INT rate, OID and/or INT amount accrued, market discount fraction and investment expenses, if applicable.

Widely Held Fixed Investment Trust (WHFIT information)

Separate statement for each security. Details for each security will include a description, CUSIP number, maturity date, security type, accrual period, days held, beginning redemption balance, beginning adjustment price, OID rate, OID and/or INT amount accrued, principal paydown, credit and interest swap, cost basis adjustment, premium amortization, other expenses, investment expenses and market discount fraction, if applicable. Non-mortgage Widely Held Fixed Investment Trusts (NMWHFITs) details for each security include description, CUSIP number, security type, activity, trade and settlement date, gross distribution, SEC1231 gains, proceeds, investment and administrative expenses, hedge and rental income, severance tax, cost depletion, cost basis adjustment factor and amount, if applicable.

Collateralized Obligations and Widely Held Fixed Investment Trusts (REMIC/CMO/WHFIT/UIT Information)

REMIC/CMO/WHFIT/UIT TAX INFORMATION IS NOT INCLUDED ON THIS 1099 BUT WILL BE PROVIDED ON AN AMENDED 1099 BY MARCH 15, 2011.

If you received a Consolidated Form 1099 with this message, it means that you will receive a corrected Consolidated Form 1099 with a detailed statement and an additional statement for REMIC/CMO/WHFIT/UIT securities postmarked by **March 15, 2011.**

Combinable and/or Exchangeable REMICs

- The additional OID statement CUSIP number could be different than the original purchased CUSIP number.
- A deal structured to allow investors to exchange the classes purchased for other securities backed by the same cash flow is referred to as a “combinable REMIC.”
- Issuers of combinable REMICs include Fannie Mae (RCR), Freddie Mac (MACR) and Ginnie Mae (MX classes).
- The detailed income statement and the additional OID statement will reference the CUSIP number of the original position relating to the combinable REMIC.

WHFITs Reporting

Since income from WHFITs is reported on an accrual (not cash) basis, the taxable income from our WHFIT might be different than the cash you received during the year. Securities which are organized, as grantor trusts are WHFITs. Principal payments from grantor trusts and other WHFITs will be reported on Form 1099-B. Other tax information we reporting on your WHFIT, may include items of income, expense, and credit; non pro-rata principal payments; detail of asset sales and dispositions; redemptions and sales of WHFIT interests; information regarding bond premium; information regarding market discount; and other information necessary for a beneficial owner of a trust interest to report.

Frequently Asked Questions

What do I do if the 2nd TIN box is checked?

Contact the Social Security Administration (SSA) office and request a printout of name and social security number, which will verify your social security number (SSN) or if you have an employer identification number (EIN), verify this number by requesting Letter 147C from the IRS. Upon receipt of the documentation please forward to your Account Executive (AE) via mail or email for processing. In accordance with IRS regulations, failure to correct an SSN or EIN will result in government-regulated backup withholding tax on all reportable transactions.

What dividend income is reported?

The 1099-DIV section reports all ordinary dividend income (qualified and nonqualified), return-of-capital payments, capital gain distributions, partial liquidations and short-term capital gain distributions paid by tax-exempt mutual funds.

Why do the December statement and 1099-DIV totals differ?

Certain mutual funds and REITs may reclassify part or all of the distributions made. The reclassifications often occur after year end and are not recorded on the December statement. Some mutual funds and REITs are considered constructive receipt payers. Their dividends will have a record date in 2010, but are payable in January 2011. Even though these dividends are not recorded on your December statement, they are reportable in 2010.

How are capital gain distributions reported?

The 2010 Form 1099-DIV reports dividend distributions separately by capital gain types. The detailed income statement that is enclosed with your 2010 Consolidated Form 1099 categorizes the type of income received for each security distribution. We suggest that you consult with your tax advisor or use the 2010 IRS Instructions for Schedule D (Form 1040), Capital Gains and Losses, and Publication 550 - Investment Income and Expenses, to assist you in filing your Form 1040 return.

How is alternative minimum tax reported?

A percentage of the income generated from mutual funds that include municipal bond funds may be subject to the alternative minimum tax (AMT). As required by recent tax law changes, income subject to AMT is reported on Form 1099-INT, box 9, when available. We suggest that you discuss your tax reporting questions with a qualified tax advisor.

Why didn't I receive a 1099-DIV when I know I received dividend payments throughout the year?

Your account may be deemed exempt from 1099 reporting or if the amount of dividends received for the year was less than \$10, we do not generate a 1099.

What interest income is reported?

The interest income reported on Form 1099-INT includes interest paid from corporate bonds, federal agency bonds, credit balances, commercial paper, tax-exempt dividends, taxable and tax-exempt municipal bonds. The rebate fee earned on short security positions in your account will be included in box 1. Municipal bond interest is generally not taxable if it relates to a debt obligation issued by the state or locality. However some municipal bond interest may be taxable for federal tax purposes. Municipal bonds issued after August 7, 1986, may be subject to the alternative minimum tax. As required by recent tax law changes, when available, J.P. Morgan Clearing Corp. reports AMT income on Form 1099-INT, box 9.

J.P. Morgan Clearing Corp. tracks the purchase price of short-term (less than one year) instruments (on box 1) and U.S. Treasury bills (on box 3), and calculates the accurate short-term OID amount. However, if the securities are not redeemed from the account in which they were originally purchased, J.P. Morgan Clearing Corp. refers to IRS Publication 1212. Therefore, the amount reported may require an adjustment upon preparing your tax return.

How is accrued interest reported?

Accrued interest earned on the sale of bonds is reported as interest income on the settlement date. Accrued interest paid by you on bond purchases is included on the detailed income statement as "short accrued interest." It is not deducted by J.P. Morgan Clearing Corp. from reportable interest income total. Accordingly, you should adjust the accrued interest you paid on the purchase of a bond from the amount reported on Form 1099-INT. Both of these amounts should be listed separately on Form 1040, Schedule B.

Why do the December statement and 1099-INT totals differ?

Interest relating to Real Estate Mortgage Investment Conduit (REMICs), Financial Asset Securitization Investment Trust (FASITs) and Collateralized Mortgage Obligation (CMOs) is not included on the original Form 1099; instead, it will be recalculated on an accrual basis and reported on a corrected Form 1099 no later than March 15, 2011. Interest income from these obligations is reported on Form 1099-OID and/or Form 1099-INT, box 1. These obligations are not treated as U.S. treasuries for federal and state income tax purposes because the underlying obligates (i.e., mortgages) are not issued by the U.S. government.

Some Monthly Income Debt Securities (MIDS), Quarterly Income Debt Securities (QUIDS), etc. are subordinated debt securities paying deferrable interest on a monthly or quarterly basis, and are actually OID instruments. An interest payment previously shown on a monthly statement is recalculated on an accrual basis and reported on Form 1099-OID. The interest payment will continue to accrue income for U.S. federal income tax purposes even though interest may not be paid on a current basis.

Why did I have Federal Income Tax withheld?

Federal income tax was withheld either as an IRS mandate or you did not provide certification of your TIN.

Can I deduct investment expenses?

If you file Form 1040, you may deduct these expenses on the "Other Expenses" line on Schedule A (Form 1040, subject to the 2% limit.)

Frequently Asked Questions (continued)

What are ADR fees?

A nondeductible fee charged on dividend payments of foreign securities.

What is short accrued interest?

Accrued interest paid on the purchase of a bond, which is not deducted from the total interest reported.

What are short charges?

Dividend or capital gains paid on the purchase of a security, which is not deducted from the total dividend reported.

What are widely Held Investment Trusts (WHFIT)?

WHFITs are fixed investment trusts that are held by at least one third party rather than the owner of the trust. There are two unique subcategories: Widely Held Mortgage Trusts (WHMTs) as well as Non-Mortgage Widely Held Fixed Investment Trusts (NMWHFITs). WHMTs are mortgage-backed security (MBS) pools issued by agencies such as Fannie Mae, Ginnie Mae and Freddie Mac. Some of the different types of NMWHFITs are unit investment trusts (UITs), royalty trusts, commodity trusts or HOLDRS trusts.

WHFIT reporting is based on how and when the income was received by the trust entity, rather than how and when it was paid out to the trust interest holder (TIH). Principal payments (i.e. returns of investment) from a WHFIT will be reported on Form 1099-B. The IRS's new WHFIT reporting rules require investors to report their pro-rata share of the underlying income and expenses on their tax return.

What are the other types of 1099s and Reportable Income?

- If you had transactions in foreign currency (e.g., yen or pounds), your gross proceeds, dividends and interest will be converted to U.S. dollars on the trade or effective date. These transactions will be reported on your applicable Form 1099.
- If your Individual Retirement Account (IRA), Keogh, pension plans or profit sharing trusts accounts had reportable transactions, you will receive Form 1099-R. Please contact the Retirement Services Department at 347-643-9603 with any questions.
- If your primary address is in the state of California, Connecticut, Minnesota or New York, J.P. Morgan Clearing Corp. is required to file a report of municipal bond interest. The 1099-INT section of the Consolidated Form 1099 provides the total amount reported to each state. Details with security descriptions are found in the detailed income statement. Residents of Puerto Rico will receive a Form 480.6A and/or Form 480.6B by February 28, 2011.
- If you received a Consolidated Form 1099 with an account number beginning with 158 or 159 and AE number of "IMY", you are a beneficial owner in a nonqualified intermediary/non-withholding foreign partnership account held at J.P. Morgan Clearing Corp. The name, address and account number of the nonqualified intermediary/non-withholding foreign partnership account will appear at the end of the detailed income statement.
- If you had futures transactions, you will receive a separate Form 1099.

Why would I receive an amended Consolidated Form 1099?

- A newly signed W-9 Form, changing the SSN or EIN reflected on the original 2010 Consolidated Form 1099, was received.
- The mutual funds and/or REITs you own declared a dividend in the last quarter of 2010 that was not payable until January 2011.
- You owned REMICs, CMOs, WHFITs or UIT. Interest is reported on an accrual basis. In accordance with IRS regulations, this information will be sent to you by March 15, 2011.
- After verifying the reporting method and actual calculations from the issuing firm, J.P. Morgan Clearing Corp. discovered a reporting error that made it necessary to issue a revised Consolidated Form 1099.
- You owned stock in a corporation that had a change in control or a substantial change in capital structure and the corporation has reasonably determined that you may be required to report a gain from the exchange. In accordance with the IRS regulations, J. P. Morgan Clearing Corp. must forward to you this information on Form 1099-B.
- Your mutual funds and/or REITs reclassified all or part of their distributions after December 31, 2010. Since these reclassifications occurred after the original Consolidated Form 1099 was issued, a correction was necessary.

What is not reported on this 1099?

- Non-reportable items, including margin interest paid by you, short accrued interest, short debit fees, purchases and principal accretions (increase in your holding of a REMIC or CMO with a Z tranche), are listed under the applicable category of the detailed income statement.
- If you received distributions directly from a corporation because securities are registered in your name, then the corporation—not J.P. Morgan Clearing Corp.—must provide you and the IRS with the applicable Form 1099.
- Master limited partnership (MLP) and limited liability company (LLC) distributions will be reported directly by the MLP/LLC on Schedule K-1.

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