

Important year-end tax information

We are pleased to provide you with the 2013 year-end tax guide. The guide is designed to assist you or your tax advisor with the preparation of your federal and state income tax returns.

When preparing your tax return, use the information provided on your Forms 1099. Because of IRS requirements, amounts shown on your Forms 1099 often do not correspond to what appears on your monthly statements.

Please note that this guide is intended to be used as reference only; it is not a complete source of general tax information. Please also refer to the enclosed 2013 tax reporting documents. You should consult your tax advisor regarding your specific tax return requirements.

Disclaimer: 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 trusts, 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 qualified tax advisor.

As a result of legislation enacted by the U.S. Congress, as part of their annual tax reporting process, brokers are required to report cost basis information to the Internal Revenue Service (IRS) beginning with tax year 2011. The cost basis reporting law is phased in over multiple years. Generally, brokers are required to report cost basis on securities that are acquired on or after the below effective dates:

SECURITIES	COVERED	NONCOVERED
Equities	Acquired on or after January 1, 2011	Acquired prior to January 1, 2011
Mutual Fund, DRPs	Acquired on or after January 1, 2012	Acquired prior to January 1, 2012
Basic Debt Instruments (certain fixed rate/fixed term securities), Options	Acquired on or after January 1, 2014	Acquired prior to January 1, 2014

The cost basis will continue to be reported for covered securities such as equities, mutual funds and DRPs. A security is considered covered if it was acquired on or after the IRS effective date. Acquisitions before the effective date are considered noncovered. For covered securities, Form 1099-B must include the adjusted cost basis and acquisition date of each security that is sold and indicate whether any resulting gain or loss is long-term or short-term. Cost basis for noncovered securities will be displayed for informational purposes only and will not be reported to the IRS.

WHAT'S NEW ON FORM 1099-MISC

New boxes have been added to Form 1099-MISC

Box 11: Foreign Tax Paid—Enter the foreign tax paid on payments reported on Form 1099-MISC. Report this amount in U.S. dollars

Box 12: Foreign Country or U.S. Possession—Enter the name of the foreign country or U.S. possession for which the foreign tax was paid and reported in Box 11

GROSS PROCEEDS FORM 1099-B

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. Any sale with a 2013 trade date settling in January 2014 will be recorded on the 2013 Form 1099-B. Principal payments for mortgage and asset backed securities is reported on Form 1099-B based on effective date.

Proceeds from Treasury bills sold before redemption are reportable on Form 1099-B.

SHORT SALES

A short sale opened during 2011 or later will be reported when a security is delivered to close the short sale. The adjusted basis of the acquired security and whether the gain or loss is long-term or short-term will be reported on Form 1099-B on the close of the short sale. Information to be reported on Form 1099-B for short sales:

Box 1a: Date the security was delivered to close the short sale (settlement date of closing transaction)

Box 1b: Acquisition date of the security delivered to close the short sale (trade date of closing transaction)

Box 1c: Whether any gain or loss on the closing of the short sale is short-term or long-term based on the acquisition date of the security delivered to close the short sale

Box 1e: Report the quantity of the security delivered to close the short sale

Box 2a: Report the gross proceeds when the short sale is entered into

Box 3: Report the adjusted basis of the security delivered to close the short sale

WASH SALES

In general, 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 identical stock or securities.

The adjusted basis of the purchased security will be increased by the amount of loss disallowed on the sale transaction. For our reporting to you, the wash sale rules are applied only if both the sale and purchase transaction occur in the same account with respect to securities with the same CUSIP number. For covered securities, the amount of loss that is disallowed will be reported in Box 5 on Form 1099-B in addition to the gross proceeds and the basis for the sale transaction. You should consult your tax advisor about your individual situation.

S CORPORATIONS

Brokers must report on a Form 1099-B to S Corporations and the IRS for the sale of covered securities that were acquired on or after January 1, 2012. Historically, S Corporations were considered "exempt recipients" and reporting was not required. Reporting of both gross proceeds and basis is now required.

DIVIDENDS & DISTRIBUTIONS FORM 1099-DIV

Form 1099-DIV reports aggregated dividends of \$10 or greater, which includes ordinary dividend income (qualified and non-qualified), return-of-capital distributions, capital gain distributions, partial liquidations and short-term capital gain distributions. Dividends paid on money market and bond funds are non-qualified dividends.

FUND DISTRIBUTIONS—"YEAR-END" DIVIDENDS

Dividends from certain mutual funds and real estate investment trusts (REITs) are considered taxable income when declared but are not reflected on the monthly statement until the dividend is paid. This may present a timing issue. For example, if a dividend is declared in December but is not paid until January, the dividend may be reportable on your 2013 Form 1099-DIV, but it will appear on your January 2014 monthly statement.

FUND DISTRIBUTIONS—INCOME REALLOCATIONS

Certain mutual funds, REITs and unit investment trusts (UITs) pay distributions throughout the year. These distributions are classified as income when paid. Subsequent to the end of the year, these distributions may be reallocated for tax purposes from income to capital gain and/or return of capital. These reallocations will represent differences in income reported on your Form 1099-DIV and your client statement.

EXEMPT-INTEREST DIVIDENDS

Exempt-interest dividends from a mutual fund are reported in Box 10 and Box 11 (income in Box 10 subject to alternative minimum tax [AMT]) on Form 1099-DIV.

INTEREST INCOME FORM 1099-INT

Form 1099-INT reports aggregated interest of \$10 or greater, which includes interest paid from corporate bonds, federal agency bonds, credit balances, commercial paper, taxable and tax-exempt municipal bonds. The rebate fee earned on short security positions in your account will be included. 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.

DISCOUNT SHORT-TERM OBLIGATIONS

Interest earned on discounted short-term obligations sold prior to maturity, including U.S. Treasury bills, are included in gross proceeds on Form 1099-B and supporting tax reporting documents. Such interest is not reported on Form 1099-INT.

ACCRUED INTEREST

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” and is not deducted from the total interest reported. Accrued interest earned as part of the gross proceeds on a bond sale is reported as interest on Form 1099-INT based on settlement date.

TAX-EXEMPT INTEREST

Interest on a municipal bond used to finance government operations and is issued by a state, the District of Columbia, a U.S. possession, an Indian tribal government, or a political subdivision. Generally, interest on a municipal bond is not subject to federal taxes but may be subject to state or local tax. The IRS requires that tax-exempt interest be reported on Form 1099-INT in Box 8 and Box 9 (income in Box 8 subject to AMT).

Interest related to Real Estate Mortgage Investment Conduit (REMICs), Financial Asset Securitization Investment Trust (FASITs) and Collateralized Mortgage Obligation (CMOs) will be included on the original Form 1099. Any subsequent adjustments will be recalculated and reported on a corrected Form 1099 that will be mailed no later than March 17, 2014.

MISCELLANEOUS INCOME FORM 1099-MISC

Form 1099-MISC is used to report royalties, or broker payments in lieu of dividends or tax-exempt interest of at least \$10. Form 1099-MISC reports information on rent, royalty income (K-1 was not issued), non-employee compensation, substitute payments, attorney fees and other income. Substitute payments are payments made in lieu of dividends generated from a security that is lent to a third party during the period that a dividend is paid. The substitute payment received is not considered a qualified dividend and is taxed at ordinary income rates.

ORIGINAL ISSUE DISCOUNT FORM 1099-OID

Form 1099-OID is used to report OID of \$10 or more accrued to a holder of a zero coupon bond or an interest bearing bond issued with OID, a REMIC or FASIT regular interest holder or to a holder of a CDO. Form 1099-OID reports OID interest 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 the original issue price, an adjustment to the amount reported on Form 1099-OID may be necessary when preparing your tax return. Any adjustments are the responsibility of the taxpayer. We recommend that you obtain a copy of IRS Publication 1212 and/or consult your tax advisor.

REAL ESTATE MORTGAGE INVESTMENT CONDUIT (REMIC), COLLATERALIZED DEBT OBLIGATION (CDO), WIDELY HELD FIXED INVESTMENT TRUST (WHFIT), AND UNIT INVESTMENT TRUST (UIT) STATEMENTS

REMIC/CDO/WHFIT/UIT income will be included in the original Consolidated Form 1099 mailed by February 18, 2014. If you hold these securities in your account, you may expect to receive an updated tax package including REMIC/CDO/WHFIT/UIT supplemental statements, which will be mailed by March 17, 2014.

REMIC is a type of multi-class mortgage-related security in which interest or principal payments from mortgages are structured into separately traded securities. REMICs direct the cash flow from the underlying mortgage-related collateral into separately traded securities called classes.

CDOs are a structured financial product that pools together cash flow-generating assets and repackages this asset pool into discrete tranches that can be sold to investors.

WHFITs are fixed investment trusts where at least one interest in the trust is held by a middleman on behalf of the owner of the trust. There are two unique subcategories: Widely Held Mortgage Trusts (WHMTs) and 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.

NMWHFITs are unit investment trusts (UITs), royalty trusts, commodity trusts or HOLDERS trusts. WHFIT reporting is based on when the income was received by the trust entity, rather than when it was paid out to the interest holder. Any WHFIT that returns part of your investment as principal payment will be reported on Form 1099-B. Since income from WHFITs is reported on an accrual (not cash) basis, the taxable income might be different from the cash you received during the year. The WHFIT information will be included in Forms 1099, where applicable and/or in supplemental information schedules.

Related information 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 and market discount; and other information necessary for a trust interest holder to report items on their tax returns.

INFORMATION NOT REPORTED ON FORM 1099

MASTER LIMITED PARTNERSHIP AND LIMITED LIABILITY COMPANY

Master limited partnership (MLP) and limited liability company (LLC) distributions will be reported by the MLP/LLC on schedule K-1, which should be mailed directly to you by March 17, 2014.

NONREPORTABLE

Margin interest paid by you, short accrued interest, short debit fees, purchases and principal accretions (increase in your holding of a REMIC or CDO with a Z tranche) are listed under the applicable category of the detailed income statement.

PUERTO RICO RESIDENTS

A Form 480.6A (Informative Return: Income Not Subject To Withholding) and Form 480.6B (Informative Return: Income Subject To Withholding) are mailed to end-clients by February 28, 2014.

MUNICIPAL BOND INTEREST

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 and tax-exempt interest statement to that state.

INTERMEDIARY ACCOUNTS

If you received a Consolidated Form 1099 with an account number beginning in 158 or 159 and AE number of "IMY," you are a beneficial owner in a non-qualified intermediary/non-withholding foreign partnership account held at J.P. Morgan Clearing Corp. The name, address and account number of the non-qualified intermediary/non-withholding foreign partnership account will appear at the end of the detailed income statement.

CORRECTED CONSOLIDATED FORM 1099

A Corrected Consolidated Form 1099 may be required if:

- A newly signed Form W-9, changing SSN or EIN reflected on the original 2013 Consolidated Form 1099, was received
- You owned REMICs, CDOs, WHFITs or UITs
- There was a reclassification of income by an issuer
- 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 IRS regulations, J.P. Morgan Clearing Corp. must forward to you this information on Form 1099-B
- Receipt of an updated cost basis transfer statement
- J.P. Morgan Clearing Corp. discovered a reporting error that made it necessary to issue a revised Consolidated Form 1099

OTHER TYPES OF REPORTABLE INCOME

FOREIGN CURRENCY

Gross proceeds, dividends and interest in foreign currency (e.g., yen or euros) will be converted to U.S. dollars on the trade or payment date.

REGULATED FUTURES CONTRACTS

Regulated futures contracts are reported on a separate Form 1099.

CONTACT INFORMATION

TAX REPORTING HOTLINE

General inquiries, withholding tax (TEFRA, NRA),
Form 1099, Form 1042-S 212.272.0495

RETIREMENT SERVICES

General inquiries, Form 1099-R,
IRA Distributions 302.552.0757

INTERNAL REVENUE SERVICE (IRS)

www.irs.gov

Individual Tax Help 800.829.1040
Business and Specialty Tax 800.829.4933
Information Return Reporting 866.455.7438

SOCIAL SECURITY ADMINISTRATION (SSA)

www.ssa.gov

General Information 800.772.1213

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