

## Information Not Reported On Form 1099

**Puerto Rico Residents** 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, 2017.

**Municipal Bond Interest** If your primary address is in the state of California, Connecticut, Minnesota or New York, J.P. Morgan Securities LLC is required to file a report of municipal bond interest and a tax-exempt interest statement to that state.

## 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 2016 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 Securities LLC must forward this information to you on Form 1099-B.
- Receipt of an updated cost basis transfer statement.
- J.P. Morgan Securities LLC 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) are converted to US dollars on the trade or payment date.

### Contact Information

- **Tax Reporting Hotline** – General inquiries, withholding tax (TEFRA, NRA), Form 1099, Form 1042S (Please refer to the contact number on the first page of your form).
- **Retirement Services** – General inquiries, Form 1099-R, IRA Distributions
  - Chase Investments (800) 392-5749
  - Chase Private Client (800) 690-4557
- **Social Security Administration (SSA)** – (800) 772-1213, www.ssa.gov
- **Internal Revenue Service (IRS)**
  - Individual Tax Help (800) 829-1040
  - Business and Specialty Tax (800) 829-4933
  - Information Return Reporting (866) 455-7438
  - www.irs.gov

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#### INVESTMENT PRODUCTS ARE:

- NOT FDIC INSURED • NOT A DEPOSIT OR OTHER OBLIGATION OF, OR GUARANTEED BY, JPMORGAN CHASE BANK, N.A. OR ANY OF ITS AFFILIATES • SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED

## 2016 Year-End Consolidated Forms 1099 Tax Reporting Guide

We are pleased to provide you with the 2016 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 2016 tax reporting documents. You should consult your tax advisor regarding your specific tax return requirements.

**Disclaimer: Please review all information on your Forms 1099 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.**

### Noteworthy Changes for Tax Year 2016

As a result of legislation enacted by the U.S. Congress, brokers are required to report cost basis information to the Internal Revenue Service (IRS) on securities that are acquired on or after the below effective dates.

A security is covered if it was acquired on or after the IRS effective date (see below). 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. Acquisitions before the effective date are considered non-covered. Cost basis for non-covered securities may be displayed for informational purposes only and will not be reported to the IRS.

SECURITY TYPE (Specified Securities)	COVERED	NON-COVERED
Equities	Acquired on or after January 1, 2011	Acquired prior to January 1, 2011
Mutual Funds, Dividend Reinvestment Plans (DRPs)	Acquired on or after January 1, 2012	Acquired prior to January 1, 2012
Basic Debt Instruments (certain fixed rate/fixed term bonds), Certain Options, 1256 Contracts	Acquired on or after January 1, 2014	Acquired prior to January 1, 2014
Complex Debt Instruments (e.g. variable rate bonds, foreign debt, etc.)	Acquired on or after January 1, 2016	Acquired prior to January 1, 2016

**Form 1099-INT** On Form 1099-INT there are new reporting requirements for bond premium on treasury obligations. Box 12 was added to Form 1099-INT to report bond premium on treasury obligations with all later boxes renumbered to accommodate this new Box 12.

**Form 1099-OID** On Form 1099-OID there are new reporting requirements for taxable covered security, including Treasury security reflecting the amount of premium amortization allocable to the interest payment(s). Box 10 was added to Form 1099-OID to report bond premium on these obligations with all later boxes renumbered to accommodate this new Box 10.

**Form 1099-B** On Form 1099-B Box 2 has an additional check box for situations in which some of the gain or loss may be ordinary rather than capital. In addition, we now report the amount of accrued market discount, if any, in Box 1f and the reporting amount of wash sale loss disallowed, if any, in Box 1g. The collectibles indicator has been moved to Box 12.

**Payer Name on Form 1099** The entity making payments subject to tax reporting is J.P. Morgan Securities LLC. J.P. Morgan Securities LLC is a pass-through entity for U.S. tax purposes, and as such, the payer name on Form 1099 is J.P. Morgan Broker-Dealer Holdings Inc., the sole owner of J.P. Morgan Securities LLC.

**Enhanced Capabilities for Web-Based Users** Web-based users can download their tax report data to Excel or a comma-separated value (CSV) spreadsheet through Chase.com. Two icons are added next to the Adobe PDF icon—one for Excel, one for CSV. Users are provided the choice of downloading their current year and all previous year 1099 data to either Excel or CSV formats.

**TurboTax Import** For your brokerage account, you can download IRS Forms 1099 data directly into TurboTax. To download the data, select “Chase Investments” from the list of financial institutions within the TurboTax software. After entering a Quicken/TurboTax ID and Password you create through the Customer Center on Chase.com, TurboTax will import your brokerage account data.

## 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 2016 trade date settling in January 2017 will be recorded on the 2016 Form 1099-B. Principal payments for mortgage and asset backed securities are reported when accrued on Form 1099-B. 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 cost 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. Form 8949, *Sales and other Dispositions of Capital Assets*, includes instructions on how to report a short sale. We recommend that you consult with your tax advisor.

**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 cost 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 Boxes 1f and 1g on Form 1099-B, in addition to the gross proceeds and the cost basis for the sale transaction reported in Boxes 1d and 1e, respectively. You should consult with your tax advisor regarding any wash sale situations.

**S Corporations** Brokers must report to S Corporations and the IRS on Form 1099-B 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 cost 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. Qualified dividends are subject to the same 0%, 15%, or 20% maximum tax rates that apply to long-term capital gains. For more information please refer to Publication 550, *Investment Income and Expenses*.

**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 2016 Form 1099-DIV, but it will appear on your monthly statement for January 2017.

**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. After 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 between income reported on your monthly client statement and the Form 1099-DIV that you receive.

**Exempt-Interest Dividends** Exempt-interest dividends from a mutual fund are reported in Box 10, and exempt-interest dividends paid from specified private activity bonds, a portion of which may be subject to the alternative minimum tax (AMT), are reported in Box 11.

## 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, and taxable and tax-exempt municipal bonds. The rebate fee earned on short security positions in your account will be included. Tax-exempt interest is discussed below. We recommend that you consult with your tax advisor for questions related to the reporting of interest on Form 1099-INT.

**Market Discount and Bond Premium** Market discount arises when a debt instrument purchased in the secondary market has decreased in value since its issue date, generally because of an increase in interest rates. A debt instrument has market discount if your adjusted basis in the debt instrument immediately after you acquired it (usually its purchase price) was less than the debt instrument’s issue price. The market discount is the difference between the issue price and your adjusted basis.

For a covered security, if you made an election under Section 1278(b) to include market discount in income as it accrues and you notified JPMS by December 31, then market discount that accrued on the debt instrument during the year will be reported on Form 1099-INT.

A debt instrument is purchased at a premium if its adjusted basis immediately after purchase is greater than the total of all amounts payable on the debt instrument after the purchase date, other than qualified stated interest. The premium is the excess of the adjusted basis over the payable amounts. If you choose to retain the IRS default election to amortize bond premium under Section 171, then the amortized premium will be reported on either Form 1099-INT or Form 1099-OID. In general, for taxable bonds, the amortized bond premium can be used to offset stated interest. The cost basis of the taxable bond is reduced by the amount of premium amortized each year.

**Discounted Short-Term Obligations** Interest earned on discounted short-term obligations, including U.S. Treasury bills, are reported on Form 1099-INT. Redemptions or sales will not be reported on Form 1099-B.

**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** Tax-exempt interest is generally interest on a municipal bond used to finance government operations that 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 (interest subject to AMT).

## Miscellaneous Income (Form 1099-MISC)

Form 1099-MISC is used to report royalties, or broker payments in lieu of dividends or substitute payments in lieu of dividends or interest, including tax-exempt interest, of at least \$10. 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. Form 1099-MISC also reports payments of rent, non-employee compensation, attorney fees and other income.

## Original Issue Discount (Form 1099-OID)

Form 1099-OID is used to report OID of \$10 or more accrued to a holder of an OID debt instrument, including but not limited to a zero coupon bond or an interest bearing bond, a REMIC or FASIT interest or a collateralized debt obligation (CDO) interest. OID is reported on Form 1099-OID 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, and represents the difference between the stated redemption price at maturity over the original issue price of the 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 *Guide to Original Issue Discount (OID) Instruments* and/or consult your tax advisor for more information.

**Market Discount and Acquisition Premium** Market discount arises when a debt instrument purchased in the secondary market has decreased in value since its issue date, generally because of an increase in interest rates. An OID debt instrument has market discount if your adjusted basis in the debt instrument immediately after you acquired it (usually its purchase price) was less than the debt instrument’s issue price plus the total OID that accrued before you acquired it. The market discount is the difference between the issue price plus accrued OID and your adjusted basis. For covered securities, to the extent that you elect to include market discount in income currently under Section 1278(b), the amount of accrued market discount will be reported on Form 1099-OID, if the bond was originally issued with a discount.

Acquisition premium is the excess of a debt instrument’s adjusted basis immediately after purchase, including purchase at original issue, over the debt instrument’s adjusted issue price at that time. A debt instrument does not have acquisition premium, however, if the debt instrument was purchased at a premium. Acquisition premium reduces the amount of OID includible in your income. We will report the acquisition premium for a covered security and adjust cost basis for any amortized acquisition premium. We recommend that you obtain a copy of IRS Publication 1212 and/or consult your tax advisor. For covered securities, if you choose to retain the IRS default election to amortize bond premium under Section 171, then the amortized premium will be reported on either Form 1099-INT or Form 1099-OID, depending on the nature of the debt security.

## Real Estate Mortgage Investment Conduit (REMIC), Collateralized Debt Obligation (CDO), Widely Held Fixed Investment Trust (WHFIT), and Unit Investment Trust (UIT) Statements

**Due to the time it takes issuers to calculate the required tax reporting information, REMIC/CDO/WHFIT/UIT statements will be mailed by March 15, 2017. If you hold these securities in your account, you may expect to receive an updated tax package after the initial mailing.**

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 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 HOLDRS 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 than 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.

**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 schedules K-1, which should be mailed directly to you by March 15, 2017. Proceeds from the sale of an MLP/LLC will be reported on Form 1099-B.

**Non-Reportable** 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), and listed under the applicable category of the detailed income statement.