

Money 101 – Investments

12.41 - Understanding a for 1099 on a TAXABLE Investment Account which reports interest, dividends and capital gains for tax purposes

On a regular investment account, investors receive annually a form 1099 which indicates:

**DIVIDENDS – see box below. Dividends are primarily broken into two groups**

Line 1a = (Non-Qualified)Dividends - taxed at ordinary income tax rates

Line 1b = Qualified Dividends – taxed at capital gains rate

**CAPITAL GAINS**

2a = Capital Gains

**INTEREST – see box below.**

**Interest is primarily broken into two groups**

Line 1 = Taxable Interest

Line 8 = Non-Taxable Interest.

on and is being furnished to the Internal Revenue Service (except as indicated). If you are required to file a return, a negligence penalty may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

**Summary of Form 1099-B**

Refer to the 1099-B section of this statement for those details.

	<b>Amount</b>
Gross Proceeds (Covered and Noncovered Transactions) .....	\$ 65,236.32
Cost or Other Basis (Covered Transactions Only) .....	\$ 15,729.62
<b>Federal Tax Withheld - Proceeds</b> .....	<b>\$ 0.00</b>
State Tax Withheld - Proceeds .....	\$ 0.00
<b>Regulated Futures and Foreign Currency Forward Contracts:</b>	
Profit or (Loss) Realized in 2020 .....	\$ 0.00
Unrealized Profit or (Loss) on Open Contracts - 12/31/2019 .....	\$ 0.00
Unrealized Profit or (Loss) on Open Contracts - 12/31/2020 .....	\$ 0.00
Aggregate Profit or (Loss) .....	\$ 0.00
<b>Fed. Tax Withheld - Reg. Futures and Foreign Curr. Forward Contracts</b> .....	<b>\$ 0.00</b>
State Tax Withheld - Reg. Futures and Foreign Curr. Forward Contracts .....	\$ 0.00

**2020 1099-DIV Dividends and Distributions OMB No. 1545-0110**

<b>Box</b>		<b>Amount</b>
1a	Total Ordinary Dividends .....	\$ 2,866.49
1b	Qualified Dividends (Included in Box 1a) .....	\$ 1,931.03
2a	Total Capital Gain Distributions .....	\$ 313.16
2b	Unrecaptured Section 1250 Gain (Included in Box 2a) .....	\$ 0.00
2c	Section 1202 Gain (Included in Box 2a) .....	\$ 0.00
2d	Collectibles (28%) Gain (Included in Box 2a) .....	\$ 0.00
3	Nondividend Distributions .....	\$ 0.00
4	<b>Federal Income Tax Withheld</b> .....	<b>\$ 0.00</b>
5	Section 199A Dividends (Included in Box 1a) .....	\$ 81.12
6	Investment Expenses .....	\$ 0.00
7	Foreign Tax Paid .....	\$ 0.00
9	Cash Liquidation Distributions .....	\$ 0.00
10	Noncash Liquidation Distributions .....	\$ 0.00
11	Exempt Interest Dividends .....	\$ 0.00
12	Specified Private Activity Bond Interest Dividends (Included in Box 11) .....	\$ 0.00
13/14/15	State /State ID# /State Tax Withheld .....	
	FATCA Filing Requirement .....	

**2020 1099-INT Interest Income OMB No. 1545-0112**

<b>Box</b>		<b>Amount</b>
1	Interest Income .....	\$ 0.00
3	Interest on U.S. Savings Bonds & Treasury Obligations .....	\$ 0.00
4	<b>Federal Income Tax Withheld</b> .....	<b>\$ 0.00</b>
5	Investment Expenses .....	\$ 0.00
6	Foreign Tax Paid .....	\$ 0.00
8	Tax-Exempt Interest .....	\$ 0.00
9	Specified Private Activity Bond Interest (Included in Box 8) .....	\$ 0.00
10	Market Discount (Covered Transactions Only) .....	\$ 0.00
11	Bond Premium (Covered Transactions Only) .....	\$ 0.00
12	Bond Premium on Treasury Obligations (Covered Transactions Only) .....	\$ 0.00
13	Bond Premium on Tax-Exempt Bond (Covered Transactions Only) .....	\$ 0.00
14	Tax-Exempt and Tax Credit Bond CUSIP Number .....	Various
15 /16 /17	State /State ID# /State Tax Withheld .....	
	FATCA Filing Requirement .....	

**Summary of Form 1099-OID**

Details are reported to the IRS. Refer to the 1099-OID section of this statement for those details.

	<b>Amount</b>
Original Issue Discount (Non-U.S. Treasury Obligations) .....	\$ 0.00
Other Periodic Interest .....	\$ 0.00
Market Discount (Covered Transactions Only) .....	\$ 0.00
Acquisition Premium (Covered Transactions Only) .....	\$ 0.00
Original Issue Discount on U.S. Treasury Obligations .....	\$ 0.00
Investment Expenses .....	\$ 0.00
Bond Premium (Covered Transactions Only) .....	\$ 0.00
Tax-Exempt OID (Covered Transactions Only) .....	\$ 0.00
Tax-Exempt OID Specified Private Activity Bonds (Covered Transactions Only) .....	\$ 0.00
<b>Federal Income Tax Withheld</b> .....	<b>\$ 0.00</b>
State Tax Withheld .....	

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In order to minimize capital gains it is important to keep track of the cost basis of the investment. Most of the time the custodian will have those records, but in the below example they only had the cost basis for one of the funds

“PROCEEDS” less “COST BASIS” = CAPITAL GAIN

2020 Form 1099-B		Proceeds From Broker and Barter Exchange Transactions (Report details on Form 8949 or Schedule D)				OMB No. 1545-0715	
This is important tax information and is being furnished to the Internal Revenue Service (except as indicated). If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.							
Disposition Transaction	Quantity (Box 1a)	Date Acquired (Box 1b)	Date Sold or Disposed (Box 1c)	Proceeds (Box 1d)	Cost or Other Basis (Box 1e)	D=Market Discount (1f) O=Option Premium W=Wash Sale Loss (1g)	
<b>Long-Term Transactions for Which Basis Is Reported to the IRS - Report on Form 8949, Part II, with Box D checked.</b>							
<b>Covered (Box 12)</b>							
Description (Box 1a): VANGUARD BALANCED IN DEX FUND ADMIRAL SHA RES						CUSIP: 921931200	
SELL	461.467	11/10/2017	11/17/2020	19,955.01	15,729.62		
<b>Long-Term Covered Total</b>				<b>\$ 19,955.01</b>	<b>\$ 15,729.62</b>		
<b>Covered Total</b>				<b>\$ 19,955.01</b>	<b>\$ 15,729.62</b>		
<b>Transactions for Which Basis is Not Reported to the IRS and for Which Short-Term or Long-Term Determination is Unknown (to Broker) - You must determine short-term or long-term based on your records and Report on Form 8949, Part I, with Box B checked, or on Form 8949, Part II, with Box E checked, as appropriate.</b>							
<b>Noncovered (Box 5)</b>							
Description (Box 1a): VANGUARD INTL EQUITY INDEX FDS TOTAL WOR LD STK INDEX FD ETF						CUSIP: 922042742	
SELL	515		11/17/2020	45,281.31			
<b>Other Noncovered Total</b>				<b>\$ 45,281.31</b>	<b>\$ 0.00</b>		
<b>Noncovered Total</b>				<b>\$ 45,281.31</b>	<b>\$ 0.00</b>		
<b>Total</b>				<b>\$ 65,236.32</b>	<b>\$ 15,729.62</b>		
<b>TAX LOT DEFAULT DISPOSITION METHOD:</b>							
Default Method for all Other Securities: FIRST IN FIRST OUT							
Default Method for Mutual Funds: FIRST IN FIRST OUT							
Default Method for Stocks in a Dividend Reinvestment Plan: FIRST IN FIRST OUT							