

# 1099 Consolidated: Essentials to know

## What Does the Consolidated 1099 Form Include?

Your Consolidated 1099 encapsulates all reportable income and transactions for the year. Depending on your account activity, yours may include any or all of the following:

1099 type	What's reported
1099-B	Sales transactions, cover short transactions, closing options transactions, redemptions, tender offers, and cash mergers
1099-DIV	Ordinary dividends of \$10 or more from U.S. and foreign corporations, capital gains distributions, mutual fund dividends, along with federal and foreign tax withheld and nontaxable distributions
1099-INT	Interest income of \$10 or more; including federal and foreign tax withheld
1099-MISC	Rent or royalty payments, substitute payments of \$10 or more, and other income totaling \$600 or more
1099-OID	Original issue discounts on corporate bonds, certificates of deposit (CDs), collateralized debt obligations (CDOs), and U.S. government obligations of \$10 or more

## Timeline for Receiving Your Consolidated 1099 Form

Expect your Consolidated Form 1099 to be postmarked by February 15, 2024 as mandated by the IRS, unless an extension is filed. In cases of extension, the deadline extends to March 15, 2024.

Altruist employs a phased distribution strategy for timely and accurate delivery, aiming to minimize the need for corrections. If your portfolio includes securities like mutual funds or REITs, prone to distribution reallocations, your form might arrive in a subsequent phase. We strive to expedite forms for accounts less likely to need corrections but cannot guarantee against subsequent adjustments.

## Understanding “Ordinary” vs. “Qualified” Dividends

If you’ve earned at least \$10 in dividend income, your Consolidated 1099 form will include a 1099-DIV section.

Dividends are generally taxed as ordinary income. However, some qualify for a reduced tax rate. A dividend is deemed “qualified” if the issuer categorizes it as such and you meet the IRS’s holding period criteria. Please consult your tax advisor for specific guidance on holding periods.

It’s common to find the same figures under both ordinary and qualified dividends in the 1099-DIV form; this doesn’t imply duplicate reporting. All eligible dividends for the qualified rate are also reported as ordinary dividends.

<b>DIVIDENDS AND DISTRIBUTIONS</b>	<b>2022 1099-DIV*</b>	OMB No. 1545-0110
1a- Total ordinary dividends (includes lines 1b, 5, 2e)		15.70
1b- Qualified dividends		5.35
2a- Total capital gain distributions (includes lines 2b, 2c, 2d, 2f)		0.00
2b- Unrecaptured Section 1250 gain		0.00
2c- Section 1202 gain		0.00
2d- Collectibles (28%) gain		0.00
2e- Section 897 ordinary dividends		0.00
2f- Section 897 capital gain		0.00
3- Nondividend distributions		1.00
<b>4- Federal income tax withheld</b>		<b>0.00</b>
5- Section 199A dividends		0.00
6- Investment expenses		0.00
8- Foreign country or US possession: See detail	7- Foreign tax paid:	0.70
9- Cash liquidation distributions		0.00
10- Noncash liquidation distributions		0.00
12- Exempt-interest dividends (includes line 13)		0.00
13- Specified private activity bond interest dividends (AMT)		0.00

**FIGURE 1: ORDINARY DIVIDENDS VS. QUALIFIED DIVIDENDS.** Not all ordinary dividends are eligible for a qualified dividend rate. Dividend classification is determined by the dividend issuer. However, other criteria—recipient holding period, for example—must also be considered. For illustrative purposes only.

### Note on Return of Capital (ROC)

ROC distributions are non-taxable and excluded from dividend income, but they require a cost-basis adjustment for the associated asset.

Be aware that dividend classifications by issuers are not predetermined. Altruist utilizes historical data and analytics to estimate likely classifications. For in-depth understanding, consult issuer investor relations or your tax advisor.

## Income Reallocation and Spillover Dividends: Deciphering the Timing

You might wonder why brokers don't distribute tax forms immediately at the start of the year. A primary reason is income reallocation.

Throughout the year, dividends are credited to your account as qualified. However, it's common to receive a 1099-DIV form where a dividend previously regarded as fully qualified is now classified partially as nonqualified. This shift occurs because dividend issuers typically finalize their classifications in January or February of the subsequent year, sometimes even later.

Brokers wisely wait to issue forms, especially when aware of imminent reallocations by dividend issuers. This approach is a significant factor in the timing of your form's arrival. Issuers can reallocate payments up to three years post-distribution.

Another perplexing scenario involves spillover dividends. Consider this: You receive a dividend from a mutual fund or REIT in January, but it appears on the previous year's tax form. For instance, if you held a security on December 20, 2022, and received a dividend on January 15, 2023, this dividend is taxable for 2022. This is because issuers use the declaration date for tax reporting, not the payment date, creating a 'spillover' effect.

Predicting an issuer's dividend classification before their final determination can be challenging. While historical data provides some insight, it's impossible to guarantee the completion of reallocations. Our vendors and analytics teams strive to ensure accuracy and reduce the need for form corrections. However, understanding your consolidated form thoroughly equips you to navigate your tax obligations more effectively.

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