A guide to your 2016 Consolidated IRS Form 1099

Important information about tax reporting for 2016

About this guide
This comprehensive reference guide is designed to help you in filing your federal income tax return. It provides detailed explanations and examples of the tax reporting statement you may receive, depending on the type of reportable income you have in your account.

The Consolidated Form 1099 reflects information that is reported to the Internal Revenue Service (IRS). In most situations, you must report the income shown on Form 1099 when filing your federal income tax return.

Please note:
– Your Consolidated Form 1099 (rather than your December statement) is the official document for tax reporting purposes.
– Various issuers may provide additional information after year-end; therefore, amounts shown on your monthly statement may be different from your Consolidated Form 1099.
– Attempting to reconcile the December statement against your Consolidated Form 1099 may be difficult, as the amounts will likely be different.

Disclosure
This guide is not intended to be used or relied upon for the purposes of tax advice. As tax laws are complex and subject to interpretation, please consult your tax advisor with any tax questions you may have regarding the preparation and filing of your federal income tax return(s).
# Table of contents

- Important dates and deadlines ........................................................................................................... 3
- What is included on your Consolidated Form 1099 ........................................................................... 4
- Changes and Enhancements to Forms 1099 ....................................................................................... 5
- Delayed reporting messages ............................................................................................................. 8
- General information .......................................................................................................................... 9
- Structured Products .......................................................................................................................... 14
- Additional product specific information ........................................................................................... 16
- Limited partnerships .......................................................................................................................... 18
- State reporting and withholding ....................................................................................................... 19
- Form 1099-DIV, Dividends and Distributions .................................................................................. 20
- Form 1099-OID, Original Issue Discount ......................................................................................... 22
- Form 1099-INT, Interest Income ..................................................................................................... 25
- Form 1099-MISC, Miscellaneous Income ....................................................................................... 28
- Form 1099-B, Proceeds from Broker and Barter Exchange Transactions ............................................. 30
- Frequently Asked Questions (FAQ) .................................................................................................. 35
- Additional resources and information ............................................................................................... 39
# Important dates and deadlines

## As you prepare for 2016 tax reporting, please note these anticipated mailing dates for UBS forms and information.

<table>
<thead>
<tr>
<th>Form</th>
<th>Account type</th>
<th>Description</th>
<th>Postmarked by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-End Valuation (YEV) Retirement</td>
<td></td>
<td>The December 2016 statement provides the client with the December 31, 2016 value of their IRA.</td>
<td>January 6</td>
</tr>
<tr>
<td>1099-R</td>
<td>Retirement</td>
<td>Reports the taxable and non-taxable distributions from IRAs and Qualified Plans for which UBS Financial Services Inc. is the trustee or custodian.</td>
<td>January 31</td>
</tr>
<tr>
<td>1099-Q</td>
<td>Retirement</td>
<td>Reports distributions and transfers out from Coverdell Education Savings Accounts (CESAs) for which UBS Financial Services Inc. is the trustee.</td>
<td>January 31</td>
</tr>
<tr>
<td>Year-End Valuation Statement</td>
<td>Retirement</td>
<td>The form will only be sent to clients holding IRAs for which UBS Financial Services Inc. is the custodian and only in cases where the substitute YEY included in the December monthly statement must be revised due to special situations or securities.</td>
<td>January 31</td>
</tr>
<tr>
<td>5498-ESA</td>
<td>Retirement</td>
<td>Reports contributions and transfers into the client Coverdell Education Savings Accounts (CESAs).</td>
<td>May 1</td>
</tr>
<tr>
<td>5498</td>
<td>Retirement</td>
<td>Reports individual and rollover contributions made to IRAs, as well as employer and employee contributions to SEP, CODA SEP, and SIMPLE IRAs.</td>
<td>May 31</td>
</tr>
<tr>
<td>Consolidated Form 1099 Statement</td>
<td>Retail accounts-First Mailing</td>
<td>Includes Form(s) 1099-DIV, 1099-INT, 1099-OID, 1099-MISC and 1099-B for which we do not anticipate additional updates/corrections from the issuers (generally excludes holders of Mutual Fund and Unit Investment Trust (UIT) companies). This mailing of the Consolidated Form 1099 will also include any available Mortgage Backed Securities (MBS) income reporting information. Reporting for MBS includes Real Estate Mortgage Investment Conduits (REMICs) and mortgage pools. *Please note: Accounts in the same household may receive their individual Form(s) 1099 in either or both of the mailings.</td>
<td>February 14</td>
</tr>
<tr>
<td></td>
<td>All accounts-Final Original Mailing</td>
<td>Includes Form(s) 1099 for all remaining reportable accounts — including accounts that were pending information for: Income Reclassifications, UITs, REMICs, Widely Held Fixed Investment Trusts (WHFITs) and Widely Held Mortgage Trusts (WHMTs) that was excluded from the First Mailing.</td>
<td>February 28</td>
</tr>
<tr>
<td>Informational Tax Statement (note: not an IRS Form)</td>
<td>Retail, exempt from 1099 reporting</td>
<td>Informational Tax Statements can be requested for accounts that do not require a Form 1099 (e.g., corporate accounts). These statements are for client use and will not be provided to the IRS.</td>
<td>February 28</td>
</tr>
</tbody>
</table>
| 480.6A, 480.6B, 480.6C, and 480.6D | Retail | – 480.6A—Reporting for Puerto Rico (PR) individual residents receiving income from PR-taxable securities. It also reports gross proceeds and redemptions from all securities.  
– 480.6B—Reporting for Puerto Rico residents holding all Puerto Rico equities and bonds that are subject to withholding (PTAX).  
– 480.6C—Reporting for non-residents of Puerto Rico who hold Puerto Rico-based securities in their account(s) in which taxes were withheld on gross income.  
– 480.6D—Reporting for Puerto Rico residents on tax-exempt income that may be subject to Alternate Basic Tax. The types of tax-exempt income reported on this form includes Collateralized Mortgage Obligations (CMOs), Municipal Bond funds, interest from Puerto Rico and U.S. government/state/territory obligations and other tax-exempt income. | February 28 |
| 1042S | NRA | Reports payments to NRA clients of all U.S. source income and associated U.S. tax (NRA tax) withheld on that income within a given calendar year. | March 15 |
| Revised (Corrected) Forms 1099 | Retail | Includes any late or revised reclassifications of income or capital gain income, late or revised MBS income reporting information and updates that are made to the information contained on the Form, including SSN/TIN and cost basis updates that are made for accounts that have received an original form. | Beginning March 6 |
| 2439 | Retail | Notice to Shareholders of undistributed long-term capital gains and taxes paid by regulated investment companies. | March 15 |
| K-1 (Limited Partnership Income) | All | Distributed by and from the Limited Partnership (LP). Note: Because Forms K-1 are processed and mailed by LPs directly, UBS Financial Services Inc. cannot control mail dates, which may vary. | Various |
What is included on your Consolidated Form 1099

Your Consolidated Form 1099 reflects tax reporting information that UBS Financial Services Inc. (UBS) provides to you and to the IRS on:

- Form 1099-B
- Form 1099-DIV
- Form 1099-INT
- Form 1099-OID
- Form 1099-MISC

Your Consolidated Form 1099 includes all Forms regardless of your specific tax reporting situation; those Forms that are not applicable to your particular circumstance will show zeroes.

UBS reports all payments, distributions and original issue discount (OID) to the IRS and to you. We also must report the gross proceeds on certain sales transactions and the cost basis of covered securities.

For your protection, this form will show only the last four digits of your Social Security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN) or employer identification number (EIN). However, UBS has reported your complete identification number to the IRS and, where applicable, to state and/or local tax authorities.

In addition to the information provided to the IRS, certain states require that additional tax information be reported directly to them by UBS for residents of those states. Refer to the “State Reporting and Withholding” section on page 22 for further information regarding these special reporting requirements.

Important note: Your Consolidated Form 1099 (rather than your December statement) is the official document for tax reporting purposes.
Changes and Enhancements to Forms 1099

2016 Consolidated Form 1099 Income Detail Pages
As a result of the new IRS reporting regulations, we have revised the Consolidated Form 1099 and made several enhancements to the Consolidated 1099 Statement in order to provide you with a more detailed view of your Forms 1099. This guide will help you identify the various tax year 2016 Form changes.

Form 1099-B changes
For the 2016 tax year, the column heading for Boxes 1f and 1g has been changed:

– **Line 1f** is now called “Accrued mkt disc (D)” – it was previously called “Code(s), if any.” Market discount is generally the adjusted issue price of a debt instrument minus its purchase price in the secondary market.

– **Line 1g** is now called “Wash sale loss disallowed (W)” – it was previously titled “Adjustments.” A wash sale is a sale of a security at a loss and repurchasing the same or substantially identical stock within 30 days.

Although the box headings 1f and 1g no longer refer to “Code(s), if any,” codes D and W will continue to be displayed next to the amounts to indicate which line the amount refers to.

– **Line 2** has been modified on the Form 1099-B to include ordinary gain or loss in addition to short- and long-term gain or loss. Ordinary gains or losses will be identified in the “Additional information” column of your Consolidated 1099 Form.

– **Line 12, “Collectible Sale,”** has been added under the “Additional information” column to report proceeds received from a collectibles transaction.

Sample of the Form 1099-B updates for tax year 2016:
Reminder: cost basis reporting changes for 2016 tax reporting

As previously communicated, UBS is now required to report cost basis to the IRS for debt securities, including More Complex Debt (MCD). MCD instruments are generally debt securities that do not have fixed yield or a fixed maturity date, or have additional features (convertible, foreign).

Tax lots of MCD instruments purchased on or after January 1, 2016 will be reported to the IRS when they mature or are sold.

To accommodate the new reporting requirements, we have updated our cost basis calculations on most of the complex debt at UBS. This could result in a possible change to cost basis on your December 2016 statement.

You may also see changes on your cost basis calculations for Section 1256 Options. The option premium will be netted against the FMV at date of exercise/assignment to calculate the reported 60/40 capital gain or loss. Exercise/Assignments will now create realized events for such options, characterized as 60/40 capital gain or losses. Premium on such options will no longer affect the underlying securities.

Form 1099-INT changes

The following changes have been made to Form 1099-INT to comply with IRS requirements:

- **Line 11, Bond premium on taxable-covered bonds**, has been modified to include reportable amount(s) of taxable covered securities related to non-treasury obligations only.

- **Line 12, Bond premium on Treasury obligations**, has been added to include reportable amount(s) for taxable covered securities of treasury obligations only.

**Sample of the Form 1099-INT updates for tax year 2016:**

```
<table>
<thead>
<tr>
<th>INTEREST INCOME</th>
<th>2016 1099-INT</th>
</tr>
</thead>
<tbody>
<tr>
<td>This is important tax information and is being furnished to the Internal Revenue Service. 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.</td>
<td></td>
</tr>
<tr>
<td>1- Interest income (not included in line 3)</td>
<td>458,785.94</td>
</tr>
<tr>
<td>2- Early withdrawal penalty</td>
<td>0.00</td>
</tr>
<tr>
<td>3- Interest on US Savings Bonds &amp; Treasury obligations</td>
<td>0.00</td>
</tr>
<tr>
<td>4- Federal income tax withheld</td>
<td>0.00</td>
</tr>
<tr>
<td>5- Investment expenses</td>
<td>0.00</td>
</tr>
<tr>
<td>6- Foreign tax paid:</td>
<td></td>
</tr>
<tr>
<td>7- Foreign country or US possession</td>
<td>0.00</td>
</tr>
<tr>
<td>8- Tax-exempt interest (includes line 9)</td>
<td>715,515.35</td>
</tr>
<tr>
<td>9- Specified private activity bond interest (AMT)</td>
<td>608.00</td>
</tr>
<tr>
<td>10- Market discount (covered lots)</td>
<td>0.00</td>
</tr>
<tr>
<td>11- Bond premium (covered lots)</td>
<td>0.00</td>
</tr>
<tr>
<td>12- Bond premium on Treasury obligations (covered lots)</td>
<td>0.00</td>
</tr>
<tr>
<td>13- Bond premium on tax-exempt bonds (categorized below)</td>
<td>0.00</td>
</tr>
<tr>
<td>Tax-exempt obligations (covered lots)</td>
<td>0.00</td>
</tr>
<tr>
<td>Tax-exempt private activity obligations (AMT, covered lots)</td>
<td>0.00</td>
</tr>
<tr>
<td>14- Tax-exempt and tax credit bond CUSIP number</td>
<td>See detail</td>
</tr>
</tbody>
</table>

The following amounts of tax-exempt original issue discount are not reported to the IRS:

- Tax-exempt original issue discount (includes the line below) | 0.00 |
- Tax-exempt original issue discount private activity bonds (AMT) | 0.00 |
```

Form 1099-OID changes

- Form 1099-OID has been modified to distinguish reporting for treasury and non-treasury obligations with the addition of two new section headings **Treasury original issue discount** and **Non-treasury original issue discount**.

Each of the sections will have corresponding summary totals which include income and adjustments for both covered and non-covered lots.
Sample of the above referenced changes to Form 1099-OID:

Foreign Tax Summary Page
This section provides information, which is available to all clients who receive foreign sourced income, reflecting the income earned and foreign tax imposed by a specific country, if applicable.

Sample of Foreign Tax Summary page:

Informational Statements – Corporate Accounts
Corporate Accounts with reportable activity will now receive a Combined Form 1099 and Informational Statement.
Delayed reporting messages

The Consolidated Form 1099 reflects information that is reported to the IRS. In most situations, you must report the income shown on Form 1099 when filing your taxes.

Revised ("Corrected") Consolidated Form 1099 due to Income Reclassification
Although we provide you with the most current information available on your Consolidated Form 1099, various types of income, including dividends, interest, return of capital and non-cash distributions may be reclassified by the issuer of the security after the Consolidated Form 1099 has been mailed to you. These adjustments commonly occur on Mutual Funds, Real Estate Investment Trusts (REITs) and Unit Investment Trusts (UITs). A common example of such a reclassification of income is when a payment originally classified as a dividend, is adjusted by the issuer after year-end as return of capital.

Since these types of adjustments are a common occurrence, you may want to consider filing for a tax extension. Upon receipt of any and all reclassification information from the issuer(s), we are required to send a Revised Form 1099 and a supplemental statement (if applicable). Your Consolidated Form 1099 may contain the following message if the reclassification information from the issuer was not received prior to the mailing of your Form 1099:

This is a preliminary Form 1099; we may be required to send you a Revised Form 1099 reflecting adjustments to the income and capital gains information for certain Mutual Funds, Real Estate Investment Trusts (REITs) and Unit Investment Trusts (UITs). Because most issuers of these securities are generally unable to provide this tax reporting information until mid-March, you should consider waiting for the Revised Form 1099 before filing your taxes. Please consult your tax advisor regarding your specific situation.

Revised ("Corrected") Consolidated Form 1099 due to special investments
Special reporting requirements for certain securities, such as REMICs, CDOs, CMOs, WHFIs and WHMTs, which are explained in this guide, may require us to issue a Revised Consolidated Form 1099. The Revised 1099 would reflect any late or revised mortgage backed securities information that was previously provided on the Consolidated Form 1099 Statement mailed to you in February. This Revised Consolidated Form 1099 will replace any prior Consolidated Form 1099 you may have received.

The reporting date is delayed for these types of securities because payments in December, January and February impact the Form 1099 information that we have to provide to you. Additionally, the reporting may contain various types of supplemental information that have to be included in your reporting; however, they are unable to provide such information until January or February after the original Consolidated Forms 1099 have already been issued. Your Consolidated Form 1099 may contain the following message if you invested in any of these types of securities:

This form contains supplemental information on REMICs (Real Estate Mortgage Investment Conduits), CMOs (Collateralized Mortgage Obligations), CDOs (Collateralized Debt Obligations) and/or WHMTs (Widely Held Mortgage Trusts), which require special tax reporting. We have prepared a guidebook to assist you in reporting income from these products on your federal income tax return. Please visit our website, www.ubs.com/REMICinformation for a copy of the guide. Please note this guide is not intended to serve as specific tax advice. Please consult your tax advisor regarding your specific situation.
General information

Corporate Account Reporting
Generally, payments to corporations are not reportable. However, we are required to report payments to corporations for the following:
– The credits for qualified tax credit bonds treated as interest and reported on Form 1099-INT
– Substitute payments in lieu of dividends and tax-exempt interest on Form 1099-MISC
– Payments of attorneys’ fees and gross proceeds paid to attorneys (if applicable) on Form 1099-MISC
– Withheld federal income tax or foreign tax

Tax Credit Bonds Paid to Corporate Accounts
UBS is required to report the credits for qualified tax credit bonds treated as interest on Form 1099-INT. Previously, UBS was permitted to exempt U.S. Corporations from backup withholding and reporting. Effective 2011, a corporate account received a Form 1099-INT if it received “income” from a Tax Credit Bond in excess of $10.

Starting in 2012, sales of covered securities by an S-Corporation(S-Corps) and presumed S-Corps are reportable to the IRS on Form 1099-B. For sale events to be reportable on Form 1099-B, the covered securities have to be acquired after 2011 (i.e., starting on January 1, 2012). Covered securities acquired prior to 2012 are not reportable on Form 1099-B for S-Corps or presumed S-Corps. Undocumented corporate accounts (presumed S Corps) are also subject to 28% backup withholding on covered sales.

Substitute Payments
Corporate accounts will also receive a Form 1099-MISC if they receive substitute payments in lieu of dividends in excess of $10.

Undocumented corporate accounts are also subject to 28% backup withholding on any substitute payments received.

An account set up to receive an Information-Only Tax Statement will receive a combined statement titled “2016 Consolidated Form 1099” if it received income from Tax Credit Bonds, substitute payments, or 1099-B reportable transactions. The IRS-reportable 1099 part of the statement will appear, before the supplemental non-reportable information-only part of the statement.

An account with IRS-reportable 1099 activity will receive a Combined Form 1099 and Informational Statement.

An account that requested an Information-Only Tax Statement and did not have any IRS-reportable 1099 activity will receive an Information-Only Tax Statement.

Foreign Tax Paid
As required by IRS regulations, if you had foreign tax withheld, a Form 1099 will be generated showing this withholding. Please consult your tax advisor.

e-Delivery
Instead of receiving paper Forms in the mail, UBS Online Services clients can view and print a PDF version of their 1099, delivered via an e-mail link or by logging on to UBS Online Services and downloading the document. Only UBS clients can enroll in UBS Online Services. Please note: your Tax Identification Number (TIN) will be masked on all e-Delivery tax statements.

Tax data downloading process
You will need to use your UBS account number and unique Document ID printed on each tax form as your credentials for downloading your tax data for each account. All tax documents are available for download without having to sign up or request access. The UBS account number and Document ID are provided to you whether you receive your tax documents by mail or through e-Delivery.

Important note: In order to download tax data for multiple accounts, you must download each account separately using the UBS Account Number and Document ID provided on the tax document for each account.
The download will include the complete Consolidated Form 1099, including Mortgage Backed Securities (MBS) reporting information, which in previous years was sent as a separate MBS Form 1099 statement.

The sample below shows where the account number and Document ID can be found on the 1099 statement:

![Sample Form 1099](image)

The following tax software can be used to view your UBS tax data: Turbo Tax, H&R Block, Tax Form Drop-off (Lacerte), Tax ACT and CCH.

**Federal Income Tax Withholding (Backup Withholding)**

We are required by law to withhold 28% of federal income tax from all reportable dividends, interest and gross proceeds paid to certain U.S. persons (including trusts and partnerships) who fail to furnish a valid TIN or appropriate certification (IRS Form W-9). This is called “backup withholding.” If you are exempt from backup withholding because you are an exempt recipient (for instance, a Qualified Retirement Plan (QRP) or a tax-exempt organization), please provide your Financial Advisor with an executed IRS Form W-9, including the applicable withholding exemption. If you are exempt from backup withholding because you are a foreign person, please furnish appropriate certification, such as an IRS Form W-8BEN.

Please note: We report federal income tax withheld separately on your Form(s) 1099-DIV, 1099-INT, 1099-MISC, 1099-OID and 1099-B.

**Exempt Accounts**

Certain accounts are exempt from IRS Form 1099 reporting and backup withholding requirements. These accounts generally include accounts for C-Corporations, QRPs, IRAs, certain WHFITs, charitable organizations, foreign accounts, and most federal, state and local government accounts.

The Instructions to IRS Form W-9 (Request for Taxpayer Identification Number and Certification) will contain a more complete list of exemption criteria. If your account is exempt from IRS Form 1099 reporting and you receive a Consolidated Form 1099, please refer to the Corporate Account Reporting topic of the General Information section within this guide. Please contact your Financial Advisor with any additional questions you may have.

**Taxpayer Identification Number**

The IRS allows filers of Forms 1099 to truncate a recipient identification number (Social Security number (SSN), Individual Taxpayer Identification Number (ITIN), Adoption Taxpayer Identification Number (ATIN), or Employer Identification Number (EIN) on the payee statement. These identification numbers are displayed on your Tax Information Statement in the following format: XXX-XX-1234 or XX-XXX-1234.

Please note: Previously the IRS did not allow for the truncation of Employer Identification Numbers (EINs), however final regulations eliminate this restriction. EINs will now be truncated on the Consolidated Forms 1099. In addition, if the Consolidated Forms are delivered electronically via e-Delivery, tax statement will mask your tax identification number (TIN).

Please check your name and Taxpayer Identification Number (or truncated number) displayed on your Tax Information Statement. If it is either missing or incorrect, promptly provide an executed IRS Form W-9 (Request for Taxpayer Identification Number and Certification) to your Financial Advisor. If more than one name is shown, please ensure that the SSN on the Tax Information Statement belongs to the individual whose name is listed first. If that is not the case, please contact your Financial Advisor. To avoid backup withholding, it is important to ensure that your name and Taxpayer Identification Number are correct. If the information is not correct, or does not match the records of the IRS or Social Security Administration, then, upon notice from the IRS, as required by its “B-Notice Program,” we may be required to do backup withholding.
Trade date reporting
We report all Form 1099-B proceeds on a trade date basis. This means that all reportable gross proceeds transactions occurring through December 31, 2016, will appear on the 2016 Consolidated Form 1099.

An exception to this rule is a short sale; short sales are reported in the year they are closed, not the year of the sale. For example, if a short sale is sold and closed in tax year 2016, it will be reported on the Form 1099 in tax year 2016. If a short sale is sold in 2016 but closed in 2017, it will be reported on the Consolidated Form 1099 in the 2017 tax year.

CUSIP numbers are provided in all detail sections to help you identify individual securities. On the “Proceeds from Broker Transactions,” the CUSIP and Symbol are on the same line as the Description (Box 1a) of the security.

Short-term Instruments
Short-term instrument securities that redeemed within 365 days of the issue date (i.e., CDs and Treasury Bills) will not be reported on the 1099-B. Interest related to the transaction will be reported on Form 1099-INT.

Stock registered in your name or held in safekeeping/custody
The Consolidated Form 1099 does not include dividends received on any stock registered in your name or held in safekeeping or custody on your behalf. This information is reported to you directly by the paying agent.

Mutual fund income
We must report dividends declared by a mutual fund with a record date in October, November or December of a given tax year on that tax year’s Form 1099-DIV, even if the distribution is paid in January of the following year.

For example, a dividend with a record date in 2016 but paid in January 2017 is reported as 2016 income. On your 2016 Form 1099-DIV, this amount is labeled “2017” under the column “Date” (date of payment). This amount is also included in the net total for Box 1a–Ordinary dividends and/or Box 2a–Total capital gain distributions.

Unit Investments Trusts (UITs)
Some Unit Investment Trusts (UITs) use a grantor trust structure whereby each unit holder is considered an owner of a pro rata portion of the underlying assets of the trust. This means that income and gains of the trust will be taxable to the unit holder in the tax year the income or gains are recognized by the trust, regardless of whether they were distributed to the unit holder. Therefore, the amount reported as income or proceeds on the Form 1099 for a grantor trust may not match the amount that was actually received by an investor.

Income or any gains that have not been distributed may have been used to pay fund expenses or may be part of a future distribution. These amounts are added to the total income or dividends distributed during the tax year as a separate “end-year adjustment.” In the following year, we will subtract the amount distributed but already taxed in the previous tax year. This adjustment avoids double counting and is referred to as a “begin-year adjustment.” Grantor trusts in existence for more than one year may have both a begin-year and end-year adjustment.

A unit holder’s portion of any fund expenses incurred by the trust will be reported separately on the Form 1099 and may be deductible as a miscellaneous expense. Returns of principal are reported as “non-taxable distributions” on Form 1099 and reduce your cost basis in your investment. Unlike regulated investment companies, grantor trusts are not required to make capital gains distributions each year.

In order to determine if your trust is a grantor trust and whether the following information applies, check the trust’s prospectus or contact your tax advisor.

For an investor in a grantor trust, the information reported on Form 1099-INT or DIV reflects the investor’s share of the gross income of the trust and not the distribution(s) actually received in 2016, as shown on your month-end account statement. Although circumstances may be different for particular trusts, generally the distributions received in 2016 and the amounts reported on Form 1099 will differ for the following three reasons:

– The distribution (all or part) that you will receive in the first quarter of 2017 is included on the 2016 Form 1099-INT or 1099-DIV because it is from 2016 taxable earnings of the trust.
– The distribution (all or part) received in the first quarter of 2016 is included on 2016 Form 1099-INT or 1099-DIV as a negative number because it was from 2015 earnings of the trust and was included on Form 1099 for 2015.
– Certain investment expenses (see the following section) representing an allocation of the trust’s expenses (which will also be reported on Form 1099-INT or DIV) may be used to reduce your taxable income. These expenses do not appear on your December 2016 account statement.
**Grantor trust investment expenses**

You will be required to include trustee fees and other expenses as part of your gross income amounts. However, you may be able to deduct those expenses as a miscellaneous itemized deduction, subject to an overall limitation of 2% of your adjusted gross income on your personal income tax return.

For example:

$100 gross income earned, minus $2 trustee fees and expenses = $98 distribution received. You would be responsible for reporting the entire $100 as income, not just the $98 you actually received as income. The $2 fee may be deductible subject to certain limitations:

- For equity trusts, this will appear in the detail of Form 1099-DIV, Box 1a-Ordinary dividends.
- For bond trusts, this will be in the detail in Box 1-Interest income of Form 1099-INT.
- Investment expenses related to tax-exempt income are not included on Forms 1099-DIV or INT. These investment expenses will appear in the Non-Reportable section of the Consolidated Form 1099.
- Organizational Expenses have been added to the non-reportable section of the Consolidated Form 1099. These represent the start-up costs/expenses associated with the trust.

**Accrued interest**

Accrued interest received on the sale of a debt instrument is included on Form 1099-INT.

To help you prepare your tax return, we post the accrued interest paid in the “Detail for Interest Income” section of your Consolidated Form 1099 and summarize it in the Adjustments to Interest and Original Issue Discount section of the second page of the summary information.

Example of the accrued interest paid in the “Detail for Interest Income” section:

![Image of detail for interest income]

The tax-exempt accrued interest paid is displayed in the “Detail for Tax-Exempt Interest” section and is summarized in the Adjustments to Interest and Original Issue Discount section of the second Summary Information page.
Please consult your tax advisor regarding a possible deduction of any accrued interest you paid on purchases of taxable debt instruments against interest income you may have received.

We do not report accrued interest paid to the IRS. Accrued interest paid is generally a reduction of interest income in the year in which the related interest income is reported. Taxable amounts of accrued interest paid should be reflected on IRS Form 1040 Schedule B, line 1, as a reduction of interest income; it should be identified as accrued interest. Nontaxable amounts should reduce the appropriate nontaxable income categories.

For accrued interest paid or received in relation to Unit Investment Trusts (UITs) where the security is organized as Regulated Investment Companies (RICs), the accrued interest paid or received is included in the sale amount or the purchase amount.

**Alternative Minimum Tax (AMT)**

This information is reported in Box 9 of Form 1099-INT titled, “Specified Private Activity Bond Interest” and in Box 11 of Form 1099-DIV titled, “Specified Private Activity Bond Interest Dividends.” Please consult your tax advisor to determine whether the Alternative Minimum Tax (AMT) applies to your specific tax situation.

**Return of Principal**

Return of principal payments for each security is individually broken down to provide you with details that may be helpful when filing your tax return. These entries will also be broken out separately in the supplemental information section of the Consolidated Form 1099. See “Widely Held Mortgage Trusts” on pages 17-18.

**Interest on U.S. Treasury bills and other short-term obligations**

Interest on short-term discount obligations redeemed at maturity are reported in Box 3-Interest on U.S. Savings Bonds and Treasury obligations of Form 1099-INT or in Box 1-Interest income (other short-term discount obligations) and not on Form 1099-B.

- If the purchase price can be determined, the amount reported will be the difference between the acquisition cost and the maturity value.
- If the purchase price cannot be determined through our internal records, the interest is calculated by using the obligation’s original issue price, obtained from IRS Publication 1212, and the maturity value.

Short-term discount obligations sold before maturity date will appear on Form 1099-B.

**Treasury Inflation Protection Securities (TIPS)**

Treasury Inflation Protection Securities (TIPS), designed to protect an investor’s capital against inflation, are issued at a constant par value; the principal value is adjusted to reflect changes in the level of inflation, as indicated by the Consumer Price Index—Urban (CPI-U).

If inflation, as measured by the CPI-U, increases, the inflation-adjusted principal amount is returned to the investor at maturity. As inflation rises, changes in the principal balance are reported as an accrual of original issue discount (OID) on Form 1099-OID. In the case of deflation, a negative accrual, which may be used to offset current ordinary income, is reported.

Interest is paid semiannually by applying a fixed rate to the inflation-adjusted principal value, not par value. Interest is taxable and is reflected on Form 1099-INT. For additional information, refer to IRS Publication 1212.
Structured Products

REMICs, CMOs and CDOs
For clients holding REMICs (real estate mortgage investment conduits), CMOs (collateralized mortgage obligations) and CDOs (collateralized debt obligations) issued after December 31, 1986, please read this section carefully.

For the 2016 tax year, reporting for mortgage backed securities specific to your REMIC, WHFIT, and WHMT securities will no longer be sent as a separate MBS Form 1099 statement, it will be included in your Consolidated Form 1099. The reportable income is reflected on your applicable Form(s) 1099-INT and 1099-OID, while any additional supporting details will be provided as part of “Adjustments to Interest and Original Issue Discount.” The detailed supplemental information is provided in the “Supplemental Information for REMICs and Widely Held Fixed Investment Trusts” and Supplemental Information for Widely Held Mortgage Trusts” sections.

Owners of REMICs, CMOs, and CDOs issued after December 31, 1986, will receive a Consolidated Form 1099 in one of the February mailings, which will include any Mortgage Backed Securities information available at this time. For additional information please see the detailed reference guide at www.ubs.com/remicinformation.

Widely Held Fixed Investment Trusts (WHFITs)
If you held an interest in a Unit Investment Trust, Mortgage Backed Security, Royalty Trust, HOLDR Trust or Commodities Trust, we are required to report certain details regarding transactions for these securities on IRS Form 1099 because these products are considered Widely Held Fixed Investment Trusts (WHFITs).

We will provide details for WHFITs in the Consolidated Form 1099 Statement, which will be mailed to you in one of the February mailings. The supplemental information, which sets forth details regarding income and expenses for WHFITs, is provided only to you, and not to the IRS. However, you need this additional information to complete your tax return.

Widely Held Mortgage Trusts (WHMTs)
For mortgage backed securities that are issued by FHLMC (Freddie Mac), FNMA (Fannie Mae) or GNMA (Ginnie Mae), the 1099 Consolidated Statement will provide additional information you may use in preparing your tax returns. As is the case with WHFITs, this information is provided only to you, and not to the IRS. However, you need this additional information to complete your tax return.

Record-based reporting
Payments must be reported based on the record date instead of the payment date. If the trustee had funds with a record date of December 15, 2016, and did not distribute those payments until January 15, 2017, we are required to report the income based on the December 15, 2016 date. For many WHMT securities, payments made through February 15, 2017, reflect a record date in the prior tax year.

Payments received in January and February 2016 will not be included in 2016 tax information, as they were included with the 2015 Form 1099-INT or 2015 Form 1099-B information.

Supplemental information not provided to the IRS are listed below

Interest payment details
Interest payments (either a scheduled payment or accrued interest on a sale) may be grossed up to include any expense factors, and are reportable based on the record date, not the payment date. Only the total interest amount for each security is reported to the IRS. The detailed information provided per payment period (as it appeared on the client statement) and the expense factors that were applied for each period are provided on the REMIC Statement as well as the record date.

Return of principal details
Return of principal payments may be grossed up to include any expense factors, and are reportable based on the record date instead of the payment date. Each individual principal payment for each security is reported to the IRS on Form 1099-B.
Monthly pool/principal balance factor
The “monthly pool factor” or “principal balance factor” is the ratio of (1) the amount of the aggregate outstanding principal balance of the WHMT as of the first business day of the month to (2) the amount of the aggregate outstanding principal balance of the WHMT as of the start-up date of the trust.

Monthly expense factor
The “monthly expense factor” is the ratio of (1) the gross amount for the month of each item of expense to (2) the amount that represents the aggregate outstanding principal balance of the WHMT as of the start-up date, divided by 1,000.

Adjusted basis percentage ratio
The adjusted basis percentage is the ratio of the period’s principal distribution over the principal balance at the start of the period.
Additional product specific information

Return of principal
Return of principal (ROP) indicates a partial retirement of a debt instrument and is reflected on Form 1099-B, if held at UBS.

Fixed rate capital securities
- COPrS (Canadian original preferred securities)
- MIDS (Monthly income debt securities)
- MIPS (Monthly income preferred securities)
- QUICS (Quarterly income capital securities)
- QUIDS (Quarterly income debt securities)
- QUIPS (Quarterly income preferred securities)
- TOPrS (Trust originated preferred securities)
- Certain preferred capital securities

These issues are debt-like equities that pay nonqualified stated interest (NQSI). While this type of payment is reflected as a dividend on the client monthly statement, it must be reported as interest for income tax purposes.

For most of these securities issued before August 13, 1996, the holder, if applicable, is required to recognize OID taxable income on an accrual basis. The income will be accrued for the entire period the security is held by you at the firm and is reflected on Form 1099-OID. The original issue discount (OID) is the excess of a debt instrument’s stated redemption price at maturity over its issue price. The OID, reflected on this form, is your taxable income and is determined by the characteristics of the instrument on the original issue date.

OID is reported in lieu of cash income distributed in 2016; therefore, you will receive a Form 1099-OID and not a Form 1099-DIV for such distributions received in 2016. Accrued OID reported to the IRS increases cost basis; cash distributions reduce cost basis. You should adjust your cost basis annually using the information provided on the Form 1099-OID and your client monthly statements.

The IRS requires income of $10 or more to be reported.

Taxable spinoffs, cash-in-lieu and other distributions
Certain distributions of stock, stock rights and distributions from a taxable spinoff (including certain cash-in-lieu payments) may be required to be reported as taxable dividends. These amounts (including noncash distributions) will be reported on Form 1099-DIV. Distributing corporations generally express an opinion as to the tax treatment of distributions and the fair market value of taxable noncash distributions, which we take into account in reporting on Form 1099.

Changes in corporate control and substantial changes in capital structure
Changes in corporate control or substantial changes in capital structure will be reported on Form 1099-B. This relates to any acquisition transaction where cash and other property (including stock of the acquirer) are issued to shareholders of the acquired corporation and where a gain may be recognized. We post the fair market value (FMV) of cash and shares received that are taxable to Form 1099-B; however, this value is not displayed on your statement.

If available, this information will be included with the first original February Form 1099 mailing. Clients who have had these transactions in 2016 should consider deferring the filing of their tax return until after this information is received.

Section 1256 Option Transactions
Section 1256 Options which follow the mark-to-market rules for federal tax purposes, are required to be reported as of tax year 2014 on the Regulated Futures Contracts on Form 1099-B. Under the mark-to-market rules, all section 1256 contracts are treated as if sold for the market value that appears on your UBS December 2016 account statement.
Foreign Tax
Dividends, interest, income subject to original issue discount, and miscellaneous income received by U.S. taxpayers from foreign corporations are reported on your Consolidated Form 1099 Statement reflecting the gross dividend/interest income amount and an entry reflecting the foreign tax withheld at the source if any. The gross amount is reported in Box 1a—Total ordinary dividends of Form 1099-DIV or Box 1—Interest Income of Form 1099 INT. The withheld tax is reported respectively in Box 6—Form 1099-DIV or Box 6—Form 1099-INT. In addition, please refer to the new “Foreign Tax Summary Page” section of your Consolidated Form 1099 Statement, as it provides all the foreign income earned and the foreign tax imposed by country.

Foreign Tax Paid
If you had foreign tax withheld, a Form 1099 will be generated showing this withholding. The income and the foreign tax withheld from the income is considered reportable. Please consult your tax advisor for questions regarding your particular situation.
Limited partnerships (LPs) and master limited partnerships (MLPs)

Your share of taxable income or loss from a limited partnership (LP) or a publicly traded master limited partnership (MLP), which is treated as a partnership for tax purposes, is reported to you on Schedule K-1 of Form 1065, along with your distributive share of other partnership items. This information is sent to you directly from the general partner, usually in mid-March. We have also displayed “Partnership Distribution” income information in the “Other Receipts” section of your statement for informational purposes only (this information does not represent the amounts to be reported on your tax return). Please consult your tax advisor regarding the proper treatment of your share of partnership items.

Please note: Escrow interest earned during the formation of certain limited partnerships and other private investments is reportable in Box 1-Interest income of Form 1099-INT. If you do not receive a K-1 or have questions regarding your Schedule K-1, you should contact the partnership directly.

Please refer to www.k1support.com for partnership contact information.
State reporting and withholding

**State reporting information**
In addition to the information provided by the IRS, certain states require that additional tax information be reported directly by UBS for residents of that state. The following summarizes the additional information required by these states:

<table>
<thead>
<tr>
<th>State(s)</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>California</td>
<td>Proceeds of Sales, (same information reported to the IRS on Form 1099-B). Interest earned from bonds of any state or local municipality (includes municipal bond mutual funds, municipal unit investment trusts, money market funds, and accrued interest on all sales of state or local bonds).</td>
</tr>
<tr>
<td>Connecticut, Massachusetts, Minnesota and New York</td>
<td>Interest earned from bonds of any state or local municipality (includes municipal bond mutual funds, municipal unit investment trusts, money market funds, and accrued interest on all sales of state or local bonds).</td>
</tr>
<tr>
<td>Maine, Massachusetts, Montana</td>
<td>The same information reported to the IRS on Form 1099.</td>
</tr>
<tr>
<td>Montana</td>
<td>Interest earned from bonds of any state or local municipality (excluding accrued or OID interest).</td>
</tr>
<tr>
<td>North Dakota</td>
<td>Proceeds of Sales (same information reported to the IRS on Form 1099-B).</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>Dividends and interest earned ($100 or more), Proceeds of Sales ($25,000 or more).</td>
</tr>
</tbody>
</table>

**State withholding information**
For residents of California and Maine who have not provided their Form W-9, we are required to withhold 7% and 5%, respectively. This is in addition to 28% federal backup withholding.

If you are subject to State Backup Withholding for CA or ME, we include a State Tax Withholding statement as part of your Consolidated Form 1099.
Form 1099-DIV, Dividends and Distributions

Box-by-box explanations and instructions
For your reference, Box-by-box explanations and instructions for the five types of 1099 documents that may comprise your Consolidated Form 1099 follow.

Your Consolidated Form 1099 includes all forms regardless of your specific tax reporting situation. Those forms not applicable to you will show all zeroes in the amount column(s).

Box 1a. Total ordinary dividends
The amount appearing in this box is the total dividends paid to your account with us. It includes any short-term capital gain distributions and distributions of gains attributable to accrued market discount realized by Mutual Funds and other Regulated Investment Companies. Ordinary dividends are fully taxable. The gross amount of dividends from foreign corporations that withhold tax at the source is included in this box. The foreign tax paid on dividends (withheld at the source) is shown in Box 6–Foreign tax paid.

This amount does not include distributions from Mutual Funds and other RICs or Unit Investment Trusts that were received in January 2016 but were taxable in 2015. Conversely, this amount does include distributions from the above entities received in January 2017 that are taxable in 2016.

Box 1b. Qualified dividends
This box shows the portion of the amount in Box 1a that may be eligible for reduced capital gains rates. Shareholders will receive “qualified dividends” on corporate stock dividends of most domestic corporations as well as foreign corporations if their stocks trade on an established securities market in the U.S. or are otherwise qualified foreign corporations. To qualify to be taxed at the lower maximum rate on dividends, you had to have held the stock for at least 61 days out of the 121-day period beginning 60 days before the stock’s ex-dividend date.

Transactions shown as “Qualified Dividend” only indicate that the dividend is issuer-qualified. We do not compute the holding period required for a qualified dividend. It is the responsibility of the taxpayer to determine whether the holding period requirements have been met. To assist you, we include the ex-dividend date information if available.

FATCA Filing Requirement:
If this box is checked, then UBS is reporting to satisfy its chapter 4 account reporting requirement. You also may have a filing requirement. More detail on this filing requirement is provided in the Instructions to Form 8938. Please contact your tax advisor for questions regarding your specific situation.
Box 2a. Total capital gain distributions
This amount is your share of long-term capital gain distributions from Mutual Funds, other RICs or Real Estate Investment Trusts (REITs). Amounts shown in Boxes 2b, 2c and 2d are included in Box 2a.

Box 2b. Unrecaptured Section 1250 gain
This amount represents the Unrecaptured Section 1250 gain information from certain depreciable real property.

Box 2c. Section 1202 gain
This amount represents Section 1202 gain information from certain small business stocks that may be subject to an exclusion.

Box 2d. Collectibles (28%) gain
This amount represents the capital gain (maximum rate of 28%) from the sales or exchanges of collectibles that are capital assets.

Box 3. Nondividend distributions
This amount represents a nontaxable return of capital, which reduces the cost basis of stock you hold. If your basis has been reduced to zero, you must report additional distributions as a capital gain even though the payer lists them as nontaxable. For more information, see Publication 550, Investment Income and Expenses.

Box 4. Federal income tax withheld
This amount represents any backup withholding, which is the amount of federal income tax withheld (28%) if either:
– You did not certify your TIN or SSN with a signed Form W-9
– You were sent a B-Notice and did not respond in accordance with its instructions
– UBS was instructed by the IRS to withhold because of payee underreporting (mandatory withholding)

Please note that backup withholding must be reported in the tax year in which the income was reported, regardless of when the backup withholding was paid to the IRS.

Box 5. Investment expenses
The amount shown is your share of the expenses of a non-publicly offered RIC, included as a dividend in Box 1a. The expenses shown in Box 5 are deductible on the “Other Expenses” box of Form 1040 Schedule A, subject to the 2% limit. Generally, the amount you should have received or had credited to you is the amount shown in Box 1a minus the amount shown in Box 5.

Box 6. Foreign tax paid
The amount shown in this box, which is reported in U.S. dollars, represents the foreign tax withheld on dividends and other distributions or passed through by a RIC. You may choose to claim this amount as a deduction or a credit on your federal income tax return. See IRS Publication 514, Foreign Tax Credit for Individuals.

Box 7. Foreign country or U.S. possession
“See detail” refers to Box 6 for taxes withheld from dividend payments from various foreign countries or U.S. possessions.

Box 8. Cash liquidation distributions
This amount is the cash distribution received in complete or partial liquidation of a corporation and is not included in Box 1a-Total Ordinary Dividends.

Box 9. Noncash liquidation distributions
This amount is the fair market value of non-cash distributions received in complete or partial liquidation of a corporation. This amount is not included in Box 1a-Total Ordinary Dividends.

Box 10. Exempt-interest dividends
The amount shown in this box is exempt-interest dividends from a mutual fund or other regulated investment company paid to you during the calendar year.

Box 11. Specified private activity bond interest dividends
The amount shown in this box is exempt-interest dividends subject to the alternative minimum tax. This amount is included in Box 10. See the instructions for Form 6251.
Form 1099-OID, Original Issue Discount

Your Consolidated Form 1099 includes all forms regardless of your specific tax reporting situation. Those forms not applicable to you will show all zeroes in the amount column(s).

OID is the excess of the stated redemption price at maturity over the issue price of a bond, debenture, note or other evidence of indebtedness or the excess of the stated redemption price at maturity over the acquisition price of a stripped bond or coupon. OID securities with fixed maturity dates exceeding one year from the date of issue are subject to certain tax reporting requirements. These instruments include, but are not limited to, taxable bonds, certificates of deposit (CDs), taxable unit investment trusts, time deposits, bonus savings plans and other deposit arrangements with a term of more than one year, provided the payment of interest is deferred until maturity. OID is taxable as interest over the life of the obligation. If you are the holder of one of these obligations, you must include a part of the OID in your gross income each year you hold the obligation. The OID rules also apply to Treasury Inflation Protection Securities (TIPS).

The information provided may be different for covered and noncovered securities depending on your election. For a covered security acquired with acquisition premium, we will report a gross amount for both the OID and acquisition premium amortization for the year. For a noncovered security acquired with acquisition premium, we are only required to report the gross amount of OID.

FATCA Filing Requirement:
If this box is checked, then UBS is reporting to satisfy its chapter 4 account reporting requirement. You also may have a filing requirement. More detail on this filing requirement is provided in the Instructions to Form 8938. Please contact your tax advisor for questions regarding your specific situation.
Box 1. Original issue discount for 2016
This amount represents the OID on the obligation for the number of days the security was held at UBS based on the original issue price and date, and the original yield-to-maturity. Report the entire amount appearing in Box 1 as interest income on your income tax return. The OID earned at UBS may differ from the OID amount reflected in Box 1. This may occur if the security was purchased at a price other than the original issue price and/or after the original issue date, and/or you paid an acquisition or bond premium, or if the obligation is a stripped bond or stripped coupon. If this is the case, you must calculate the proper amount of OID.

Deflation adjustment amounts are provided because they may be used in some situations to offset either the OID or stated interest reported on 1099-INT for that security.

You may need to recalculate the OID based on your purchase price and date of acquisition. The number of days the instrument was held at UBS in 2016 and used to calculate OID appears with the OID amount in the detail summary of Form 1099-OID. You are responsible for reporting OID for any time period the securities were not held at UBS because that portion of OID will not be reflected on your UBS Form 1099-OID. If you need to perform any calculations, please refer to the computation rules and methods described in IRS Publication 1212, Guide to Original Issue Discount (OID) Instruments and IRS Publication 550, Investment Income and Expenses.

Discounted securities reported here include only long-term securities (issues with a fixed maturity date exceeding one year from the date of issue). Amounts in Box 1 do not include OID shown in Box 8.

OID from Collateralized Debt Obligations (CDOs) and Collateralized Mortgage Obligations (CMOs) issued after 1986 is also reported here. Please note: This information will be included in the Consolidated Form 1099 Statement.

Box 3. Early withdrawal penalty
This box is the interest or principal forfeited if you withdrew money before the maturity date of the obligation, such as from a CD. You may deduct this to figure your adjusted gross income on the “Penalty on early withdrawal of savings” line of Form 1040.

Box 4. Federal income tax withheld
This amount shows any backup withholding, which is the amount of federal income tax withheld (28%) if either:

– You did not certify your TIN or SSN with a signed Form W-9; or
– You were sent a B-Notice and did not respond in accordance with its instructions

Please note that backup withholding must be reported in the tax year in which the income was reported, regardless of when the backup withholding was paid to the IRS. Please include this amount on your income tax return as tax withheld.

Box 5. Market Discount
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 UBS of the election in writing in accordance with Regulations section 1.6045-1(n)(5), Box 5 shows the market discount that accrued on the debt instrument during the year while held by you. For a taxable covered security, market discount will be calculated on a constant yield basis unless you notified us in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to make a constant yield election for market discount under section 1276(b). Report this amount on your income tax return as directed in the instructions for Form 1040 or 1040A.

Box 6. Acquisition Premium
For a covered security, Box 6 shows the amount of acquisition premium amortization for the year that reduces the amount of OID that is included as interest on your income tax return. If an amount is reported in this box, see the instructions for Form 1040 (Schedule B). If an amount is not reported in this box for a covered security acquired with acquisition premium, UBS has reported a net amount of OID that reflects the offset of OID that is included in income. If UBS has reported a net amount of OID in either Box 1 or Box 8, see the instructions for Form 1040 (Schedule B) for further clarification and how it should be treated on your tax return.

Box 7. Description
See the detail section for a listing of each OID obligation. This includes the description of the OID obligation, the Committee on Uniform Security Identification Procedures number (CUSIP number) and may include the stock exchange, issuer of the obligation, coupon rate and year of maturity, if there is no CUSIP.
**Box 8. Original issue discount on U.S. Treasury obligations**
The amount on this box shows OID on a U.S. Treasury obligation for the part of the year that you owned it. Report this amount on your federal income tax return. This OID amount is exempt from state and local income taxes and is not included in Box 1. If the number in this box is negative, it represents a deflation adjustment. See Pub. 550 for further information on accounting for this adjustment.

**Box 9. Investment expenses**
The amount shown here is your share of the expenses of a single-class REMIC and is included in Box 2. The expenses shown in Box 9 are deductible on the “Other Expenses” line of Schedule A (Form 1040), subject to the 2% limit.

**Box 10. Bond Premium**
For a taxable covered security, including a Treasury inflation-protected security, Box 10 shows the amount of premium amortization allocable to the interest payment(s), unless you notified the payer in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to amortize bond premium under section 171. If an amount is reported in this box, see the Instructions for Form 1040 (Schedule B). If an amount is not reported in this box for a taxable covered security acquired at a premium and the payer is reporting premium amortization, the payer has reported a net amount of interest in box 2. If the amount in this box is greater than the amount of interest paid on the covered security, see Regulations section 1.171-2(a)(4).
Form 1099-INT, Interest Income

Your Consolidated Form 1099 includes all forms regardless of your specific tax reporting situation. Those forms not applicable to you will show all zeroes in the amount column(s).

For a covered security acquired at premium, unless you notified UBS in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to amortize the premium under section 171, we will report a gross amount for both the interest paid to you and the premium amortization for the year. If you did notify us that you did not want to amortize the premium on a covered security, then UBS will only report the gross amount of interest paid to you. For a noncovered security acquired at a premium, we are only required to report the gross amount of interest paid to you.

**FATCA Filing Requirement:**
If this box is checked then UBS is reporting to satisfy its chapter 4 account reporting requirement. You also may have a filing requirement. More detail on this filing requirement is provided in the instructions to Form 8938. Please contact your tax advisor for questions regarding your specific situation.

**Box 1. Interest income**
This amount shows interest paid to your account during the calendar year from corporate bonds, federal agency bonds, taxable municipal bonds, tax credit bonds such as Build America bonds, Certificates of Deposits (CDs), unit trusts, CMOs, and other CDOs. Amounts in Box 1 do not include interest shown in Box 3. For more information, see Form 8912, Credit to Holders of Tax Credit Bonds. See the instructions above for a covered security acquired at premium.

**Box 2. Early withdrawal penalty**
This amount shows the interest or principal forfeited because of early withdrawal from time deposits, such as CDs. See the instructions for Form 1040 to see where to take the deduction.
Box 3. Interest on U.S. savings bonds and Treasury obligations
This amount shows interest received from U.S. savings bonds, Treasury bills, Treasury bonds and Treasury notes during the calendar year and may or may not be considered all taxable. See IRS Publication 550, Investment Income and Expenses. The interest may be exempt from state and local income taxes. This amount is not included in Box 1. See the instructions above for a covered security acquired at premium.

Box 4. Federal income tax withheld
This amount shows any backup withholding, which is the amount of federal income tax withheld at a rate of 28% if either:
- You did not certify your TIN or SSN with a signed Form W-9
- You were sent a B-Notice and did not respond in accordance with its instructions
- UBS was instructed by the IRS to withhold because of payee underreporting (mandatory withholding)

Please note that backup withholding must be reported in the tax year in which the income was reported, regardless of when the backup withholding was paid to the IRS. Please include this amount on your income tax return as tax withheld.

Box 5. Investment expenses
The amount shown here is your share of the expenses of a single-class REMIC and is included in Box 1. The expenses shown in Box 5 are deductible on the “Other expenses” line of Form 1040 Schedule A, subject to the 2% limit. Generally, the amount you should have received or had credited to you is the amount in Box 1 minus the amount in Box 5.

Box 6. Foreign tax paid
The amount in this box, which is reported in U.S. dollars, shows the foreign tax paid. You may choose to claim this amount as a deduction or a credit on your federal income tax return. See IRS Publication 514, Foreign Tax Credit for Individuals. The amount included in Box 1 reflects the gross amount of foreign interest income paid to you.

Box 7. Foreign country or U.S. possession
“See detail” refers to Box 6, for taxes withheld from interest payments from various foreign countries or U.S. possessions.

Box 8. Tax-exempt interest
This amount includes tax-exempt interest received (including accrued interest received on a sale) during the calendar year. Report this amount on Line 8b, Form 1040 or 1040A.

Box 9. Specified private activity bond interest
This shows the amount of tax-exempt interest included in Box 8 for each security that is subject to Alternative Minimum Tax (AMT). See instructions for Form 6251.

Box 10. Market Discount
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 us of this election in writing in accordance with Regulations section 1.6-45-1(n)(5), Box 10 shows the market discount that accrued on the debt instrument during the year while held by you, unless it was reported on Form 1099-OID. For a taxable or tax-exempt covered security, accrued market discount will be calculated on a constant yield basis unless you notified us in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to make a constant yield election for market discount under section 1276(b). Report the accrued market discount amount on your income tax return as directed in the instructions for Form 1040 or 1040A. Market discount on a tax-exempt security is includible in taxable income as interest income.

Box 11. Bond Premium
For a taxable covered security (other than a U.S. Treasury obligation), Box 11 shows the amount of premium amortization allocable to interest payment(s) for the year, unless you notified UBS in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to amortize the bond premium under section 171. If an amount is reported in this box, see the instructions for Form 1040 (Schedule B). If an amount is not reported in this box for a covered security acquired at a premium and UBS is reporting premium amortization, then we have reported a net amount of interest in Boxes 1. If the amount in this box is greater than the amount of interest paid on the covered security, please see Regulations section 1.171-2(a)(4).
Box 12. Bond Premium Amortization on Treasury obligations
For a U.S. Treasury obligation that is covered security, Box 12 shows the amount of premium amortization allocable to the interest payment(s) for the year, unless you notified UBS in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to amortize bond premium under section 171. If an amount is reported in this box, see the instructions for Form 1040 (Schedule B). If an amount is not reported in this box for a U.S. Treasury obligation that is a covered security acquired at a premium and UBS is reporting premium amortization, then we have reported a net amount of interest in box 3. If the amount in this box is greater than the amount of interest paid on the U.S. Treasury obligation, see Regulations section 1.171-2(a)(4).

Box 13. Bond Premium on tax-exempt bonds
For a tax-exempt covered security, Box 13 shows the amount of premium amortization allocable to the interest payment(s). If an amount is not reported in this box then UBS has reported a net amount of interest in box 8 or 9, whichever is applicable. If the amount in this box is greater than the amount of interest paid on the tax-exempt covered security, the excess is a nondeductible loss. Please see regulations section 1.171-2(a)(4)(ii).

Box 14. Tax-Exempt Bond CUSIP Number
This box shows the CUSIP number(s) for tax-exempt bond(s) on which tax-exempt interest was paid, or tax credit bond(s) on which taxable interest was paid or tax credit was allowed, to you during the calendar year and reported in Box 8. If blank, no CUSIP number was issued for the bond(s).
Form 1099-MISC, Miscellaneous Income

Your Consolidated Form 1099 includes all forms regardless of your specific tax reporting situation. Those forms not applicable to you will show all zeroes in the amount column(s).

If you are filing as an individual, report the taxable amounts shown on this form on your tax return as explained below. Other taxpayers, such as fiduciaries or partnerships, should report the amounts on the corresponding lines of their tax returns.

FATCA Filing Requirement:
If this box is checked then UBS is reporting to satisfy its chapter 4 account reporting requirement. You also may have a filing requirement. More detail on this filing requirement is provided in the instructions to Form 8938. Please contact your tax advisor for questions regarding your specific situation.

Form 1099-MISC incorrect?
If this form is incorrect or has been issued in error, please contact your Financial Advisor. If you cannot get this form corrected, attach an explanation to your tax return and report your income correctly.

Box 2. Royalties
This amount is the total royalty amount paid to your account. Generally, report in Part 1, Schedule E (Form 1040) and identify the royalties. This box will also include rental income that you earned from real estate activities and any surface royalties generated from strip mining or other activities. Please consult with your tax advisor to determine the proper treatment of this income.

Box 3. Other income
Report this amount, which includes the additional compensation UBS has paid to gross up substitute payments in lieu of qualified dividends, on the line for “Other Income” on Form 1040 (or Form 1040NR) and identify the payment. If it is trade or business income, report this amount on Schedule C or F (Form 1040).
Box 4. Federal income tax withheld
This amount shows any backup withholding, which is the amount of federal income tax withheld at a rate of 28% if either:
– You did not certify your TIN or SSN with a signed Form W-9; or
– You were sent a B-Notice and did not respond in accordance with its instructions

See Form W-9 and Pub. 505 for more information.

Please note: Backup withholding must be reported in the tax year in which the income was reported, regardless of when the backup withholding was paid to the IRS. Please report this amount on your personal income tax return as tax withheld.

Box 8. Substitute payments in lieu of dividends or interest
This amount shows substitute payments in lieu of dividends or tax-exempt interest received by UBS on your behalf as a result of a loan of your securities. On your tax return, report this amount on the “Other Income” Line of Form 1040 (or Form 1040NR).
Form 1099-B, Proceeds from Broker and Barter Exchange Transactions

Your Consolidated Form 1099 includes all forms regardless of your specific tax reporting situation. Those forms not applicable to you will show all zeroes in the amount column(s).

The “Sales Transactions” box highlighted below is not the official 1099-B being reported to the IRS, it is a summary provided for informational purposes only.

![Summary Information Table]

*This important tax information is being transmitted to the Internal Revenue Service. 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.*

Changes to dividend tax classifications processed after your original tax form is issued for 2018 may require an amended tax form.
**Sample of the official Form 1099-B that is being reported to the IRS:**

<table>
<thead>
<tr>
<th>1a. Description of property/CUSIP/Symbol</th>
<th>1b. Date sold or disposed</th>
<th>1c. Date sold or disposed</th>
<th>1d. Proceeds &amp; basis reported (Gross or Net)</th>
<th>1e. Date acquired</th>
<th>1f. Cost or other basis</th>
<th>1g. Gain or loss</th>
<th>1h. Wash sale loss</th>
<th>1i. Accrued repot disc (0)</th>
<th>7. Loss not allowed (0)</th>
<th>8. Gain or loss (0)</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td>BLUEBIRD BIO INC / CUSIP: 096099100 / Symbol: BLUE (contd.)</td>
<td>22,963.18</td>
<td>34,718.67</td>
<td>…</td>
<td>-11,755.49</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CVS HEALTH CORP / CUSIP: 126590100 / Symbol: CVS</td>
<td>07/22/16</td>
<td>28,473.23</td>
<td>02/13/16</td>
<td>28,901.33</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CONCERT PHARMACEUTICALS INC / CUSIP: 200021205 / Symbol: CNCE</td>
<td>2 transactions for 07/15/16. Total proceeds and cost reported to the IRS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,000,000</td>
<td>11,296.77</td>
<td>01/20/16</td>
<td>13,749.25</td>
<td>…</td>
<td>-4,452.48</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>750,000</td>
<td>8,474.07</td>
<td>02/27/16</td>
<td>10,900.52</td>
<td>…</td>
<td>-2,426.73</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07/15/16</td>
<td>1,750,000</td>
<td>19,772.64</td>
<td>Various</td>
<td>26,550.07</td>
<td>…</td>
<td>-6,877.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total of 2 transactions</td>
</tr>
<tr>
<td>UNITS FT CYBERSECURITY PRMO SER 1 REIN 04/10/17 / CUSIP: 30286D517 / Symbol:</td>
<td>3 transactions for 02/03/16. Total proceeds and cost reported to the IRS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4,854,000</td>
<td>36,922.90</td>
<td>05/22/12</td>
<td>50,008.47</td>
<td>…</td>
<td>-13,085.57</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6,000</td>
<td>45.67</td>
<td>09/25/12</td>
<td>51.90</td>
<td>…</td>
<td>-6.23</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8,000</td>
<td>50.89</td>
<td>01/25/13</td>
<td>51.21</td>
<td>…</td>
<td>-0.32</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/23/16</td>
<td>4,959,000</td>
<td>37,029.46</td>
<td>Various</td>
<td>50,121.58</td>
<td>…</td>
<td>-13,092.12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total of 3 transactions</td>
</tr>
<tr>
<td>UNITS FT BIOTECHNOLOGY PRTO SER 28 28 REIN 04/24/17 / CUSIP: 30286C218 / Symbol:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03/01/16</td>
<td>2,895,000</td>
<td>19,385.69</td>
<td>05/22/15</td>
<td>25,094.46</td>
<td>…</td>
<td>-5,618.97</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PHLMC NOTE RATE 1.25% MATURES 09/01/2019 DATED DATE 07/30/2012 CUSIP: 31337AED2 / Symbol:</td>
<td>3 transactions for 02/03/16. Total proceeds and cost reported to the IRS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04/07/16</td>
<td>50,000,000</td>
<td>50,508.55</td>
<td>06/04/15</td>
<td>49,683.56</td>
<td>…</td>
<td>625.49</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FIRST EAGLE HIGH YIELD FUND CL A / CUSIP: 32000FF78 / Symbol:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*This is important tax information and is being furnished to the Internal Revenue Service. 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. Remember, taxpayers are ultimately responsible for the accuracy of their tax return(s).*
Sales of securities (and some corporate actions transactions) are required by U.S. tax law to be reported to both the IRS and to the client. Two different sets of such tax reporting rules are reflected in the Form 1099-B section. The older rule set requires only the reporting of the gross proceeds of sales and applies to lots acquired before the effective date of the new cost basis regulations (for equities, this was January 1, 2011). For equity lots acquired after January 1, 2011, the cost basis reporting rules became effective, and brokers were required to report the cost basis associated with each sale and the resulting capital gain or loss, and also whether such capital gain or loss is short-term or long-term. The information reported to you in this section should be used by you to complete you Schedule D (Form 1040), “Capital Gains and Losses.”

All sales that settle normally (e.g., using the normal 3 day stock exchange settlement process) are reported as occurring on the trade date. Each sale transaction is reported to the IRS separately.

A recent tax law change now requires brokers to report Section 1256 options to the IRS (similar to how regulated futures transactions have been reported for many years) on a market to market basis. Other recent changes required brokers to report some gains or losses recognized on the sale or redemption of most debt instruments, certain structured products and certain grantor trusts as ordinary income or loss rather than capital gains or losses. Please check with your tax advisor.

**Box 1a. Description of Property**
Shows a brief description of the item or service for which amounts are being reported. For regulated futures contracts and forward contracts, “RFC” or other appropriate description may be shown. For Section 1256 option contracts, “Section 1256 option” or other appropriate description may be shown. For a corporation that had a reportable change in control or capital structure, this box may show the class of stock as C (common), P (preferred), or O (other).

**Box 1b. Date acquired**
This box may be blank if Box 5 is checked or if the securities sold were acquired on a variety of dates. For short sales, the date shown is the date you acquired the security delivered to close the short sale.
Box 1c. Date Sold or Disposed
Shows the trade date of the sale or exchange. For short sales, the date shown is the date the security was delivered to close the short sale. For aggregate reporting in boxes 8 through 11, no entry will be present.

Box 1d. Proceeds
Shows the cash proceeds, reduced by any commissions or transfer taxes related to the sale, for transactions involving stocks, debt, commodities, forward contracts, non-Section 1256 option contracts, or securities futures contracts. May show the proceeds from the disposition of your interest(s) in a widely held fixed investment trust. May also show the aggregate amount of cash and the fair market value of any stock or other property received in a reportable change in control or capital structure arising from the corporate transfer of property to a foreign corporation. Losses on forward contracts or non-Section 1256 option contracts are shown in parentheses. This box does not include proceeds from regulated futures contracts or Section 1256 option contracts. Report this amount on Form 8949 or on Schedule D (whichever is applicable) as explained in the instructions for Schedule D.

Box 1e. Cost or other basis
For those securities sold whose basis is reported to the IRS, this box shows the cost or other basis of such securities. If the securities were acquired through the exercise of a non-compensatory option the basis has been adjusted to reflect your option premium. If the securities were acquired through the exercise of a compensatory option, the basis has not been adjusted to include any amount related to the option that was reported to you on a Form W-2. If Box 5 is checked, Box 1e may be blank. See the Instructions for Form 8949, Instructions for Schedule D, or Pub. 550 for details.

Box 1f. Accrued market discount
Shows the amount of accrued market discount. For details on market discount, see Schedule D (Form 1040) instructions, Instructions for Form 8949, and Pub. 550. If box 5 is checked, box 1f may be blank.

Box 1g. Wash sale loss disallowed
Shows the amount of nondeductible loss in a wash sale transaction. For details on wash sales, see Schedule D (Form 1040) instructions, Instructions for Form 8949, and Pub. 550. If box 5 is checked, box 1g may be blank.

Box 2. Short-term gain or loss, Long-term gain or loss or Ordinary
The short-term and long-term boxes pertain to short-term gain or loss and long-term gain or loss. If the Ordinary box is checked, your security may be subject to special rules. For example, gain on a contingent payment debt instrument subject to the non-contingent bond method generally is treated as ordinary interest income rather than as capital gain. Please see the Instructions for Form 8949, Pub. 550, or Pub. 1212 for more details on whether there are any special rules or adjustments that might apply to your security. If box 5 is checked, box 2 may be blank.

Box 3. Check if, basis reported to IRS
If box is checked, the basis in box 1e has been reported to the IRS and one or more of the check boxes in box 2 must be checked. If box 3 is checked on Form(s) 1099-B and no adjustment is required, see instructions for your Schedule D as you may be able to report your transaction directly on Schedule D. If the Ordinary check box in box 2 is checked, an adjustment may be required.

Box 4. Federal income tax withheld
This amount shows any backup withholding, which is the amount of federal income tax withheld at a rate of 28% from gross proceeds if either:
- You did not certify your TIN or SSN with a signed Form W-9; or
- You were sent a B-Notice and did not respond in accordance with its instructions

Please note that backup withholding must be reported in the tax year in which the income was reported, regardless of when the backup withholding was paid to the IRS. Please include this amount on your income tax return as tax withheld.

Box 5. Check if, noncovered security
If checked, the securities sold were noncovered securities and Boxes 1b, 1e, 1f, 1g, and 2 may be blank. Generally, a noncovered security means: stock purchased before 2011, stock in most mutual funds purchased before 2012, stock purchased in or transferred to a dividend reinvestment plan before 2012, debt acquired before 2014, options granted or acquired before 2014, and securities futures contracts entered into before 2014.
Box 6. Reported to IRS: Gross proceeds or net proceeds
If the exercise of a non-compensatory option resulted in a sale of a security, indicates whether the amount in Box 1d was adjusted for premium.

Box 7. Check if, loss is not allowed based on amount in Box 1d
If checked, you cannot take a loss on your tax return based on gross proceeds from a reportable change in control or capital structure reported in Box 1d. See the Form 8949 and Schedule D instructions.

*Regulated Futures Contracts, Foreign Currency Contracts, and Section 1256 Option Contracts (Boxes 8 through 11):*

**Box 8. Profit or (loss) realized in 2016 on closed contracts**
Shows the profit or (loss) realized on regulated futures, foreign currency, or Section 1256 option contracts closed during 2016.

**Box 9. Unrealized profit or (loss) on open contracts—December 31, 2015**
Shows any year-end adjustment to the profit or (loss) shown in Box 8 due to open contracts on December 31, 2015.

**Box 10. Unrealized profit or (loss) on open contracts—December 31, 2016**
Shows the unrealized profit or (loss) on open contracts held in your account on December 31, 2016. These are considered closed out as of that date. This will become an adjustment reported as unrealized profit or (loss) on open contracts 12/31/2016 in 2017.

**Box 11. Aggregate profit or (loss) on contracts**
Boxes 8, 9 and 10 are all used to figure the aggregate profit or (loss) on regulated futures, foreign currency, or Section 1256 option contracts for the year. Include this amount on your 2016 Form 6781.
Frequently Asked Questions (FAQ)

Why does the Consolidated Form 1099 change each year?
The changes to IRS reporting regulations result in changes to the Consolidated Form(s) 1099. As these regulations are changing from year-to-year, we use the opportunity to implement several enhancements to the Consolidated Statement and provide you with the most consistent and comprehensive view of your Form(s) 1099.

What do I need to do if I believe a revision ("correction") is necessary?
Please review your Consolidated Forms 1099 in their entirety and contact your Financial Advisor as soon as possible to let them know if you believe a revision is necessary. Generally, the first cycle of amended Forms 1099 is sent in mid-March due to the reclassification information we receive between the original mailing and the revision.

How can I have a duplicate tax statement sent to my tax advisor/other interested parties?
Please contact your Financial Advisor and request to fill out a Letter of Authorization for Duplicate Recipient of Tax Records. You can authorize up to four additional recipients to receive 1099 tax forms.

When is the original file of information provided to the IRS?
Generally, the original file of information is sent to the IRS at the end of April, with any revision files throughout the summer (if necessary).

When will I receive reporting information on a Limited Partnership?
If you own a limited partnership, the general partner will be sending you a Schedule K-1, which should be used for reporting on your tax return. Please direct any questions you may have regarding the K-1 to the partnership.

Why is income shown on my December account statement different from the information shown on my Form 1099?
Your December account statement includes a “Dividend and interest income earned” summary, which is a cash basis recap of your account for the 2016 calendar year. There may be differences between what your Consolidated Form 1099 reflects on a tax basis and what your statement reflects on a cash basis.

For instance, the December account statement may not include certain adjustments required for tax reporting purposes. Some common examples include:
– Sales of security are reportable based on the trade date, however for statement purposes they may not reflect in your statement until the cash is received in your account.
– Mutual fund dividends that are declared in October, November or December but not actually paid until January are required to be reported for the 2016 tax year.

Important Note: Your Consolidated Form 1099 (rather than your December statement) is the official document for tax reporting purposes.

In previous years, after having received original Forms 1099, I received a Revised (“Corrected”) Form 1099 that changed the reporting of my dividend distributions. Why does this happen and will it happen again this year?
Many companies do not provide their income allocation information to us until after your original Forms 1099 are mailed. This may change the tax nature of some of the dividends and capital gain distributions. Your Consolidated Form 1099 may contain the below message if the reclassification information from the issuer was not received prior to the mailing of your Form 1099. Please note: this is not a generic message, but is based on securities that you own that have historically reclassified their income.

This is a preliminary Form 1099; we may be required to send you a Revised Form 1099 reflecting adjustments to the income and capital gains information for certain Mutual Funds, Real Estate Investment Trusts (REITs) and Unit Investment Trusts (UITs). Because most issuers of these securities are generally unable to provide this tax reporting information until mid-March, you should consider waiting for the Revised Form 1099 before filing your taxes. Please consult your tax advisor.
Why are dividends that were paid in January 2017 reported on my 2016 Form 1099-DIV?
Federal tax law requires payers to report as prior-year income any dividends you received prior to February 1 in the current year from a regulated investment company (i.e., a RIC or mutual fund) or REIT that had a record date in October, November, or December of the prior year.

Why did you report OID income on my security when I did not receive a cash payment from my debt instrument during 2016?
If a taxable debt instrument is issued with an OID, we are required to report a portion of that OID each year the debt instrument is held in your account. Please refer to IRS Publication 550, Investment Income and Expenses and IRS Publication 1212, Guide to Original Issue Discount (OID) Instruments for helpful information necessary for reporting OID on your tax return.

What are 1256 Options and where are they reported?
1256 Option Contracts follow the mark-to-market rules for federal tax purposes. Under the mark-to-market rules, all 1256 contracts are treated as if sold for the market value that appears on the December UBS statement. They will be reported on Form 1099-B in Boxes 8, 9, 10 and 11.

How will cost basis be treated for 1256 Option Contracts?
In order to comply with the IRS instructions, starting with tax year 2016, we will be tracking separate profit and loss from the year-end mark to market as a separate lot level attribute for each year. If there is a partial sale of the lot after the mark, the amount of tracked profit/loss will be reduced with the remaining open lots by the ratio of sale.

My UIT is structured as a grantor trust. Why is the total income reported for my UIT different from what I received during the year?
As a “unit holder” of a UIT that is structured as a grantor trust, you are required to pay taxes on income during the year in which it is earned by the trust, whether or not that income was distributed to you in the same year. This is often referred to as “undistributed income.”

The amount reported as income or proceeds on the Form 1099 for a Grantor Trust will often differ from the amount that you received. Income and any gains that have not been distributed may have been used to pay fund expenses or may be part of a future distribution. This amount is added to the total income or dividends distributed during the tax year as a separate “Year-End Adjustment.” In the following year, there will be a reversal on that year’s Form 1099 which will subtract the amount distributed but already taxed in the prior tax year. This adjustment avoids double counting and is referred to as a “Begin Year Adjustment.” Grantor Trusts that have been outstanding for more than one year may have both a Begin Year and End Year Adjustment.

A unit holder’s portion of any fund expenses incurred by the Trust will be reported separately on Form 1099 and may be deductible as a miscellaneous expense. Returns of Principal are reflected as “Non-Taxable Distributions” on the Form 1099 and reduce a client’s cost basis in their investment. Unlike RICs, Grantor Trusts are not required to make capital gains distributions each year. Clients who have questions about their specific circumstances should speak with their tax advisors.

What is a REMIC?
REMIC is an acronym for real estate mortgage investment conduit. Special tax regulations apply to REMIC securities and other collateralized debt obligations (CDOs) issued after 1986. A REMIC represents a bundle of mortgage loans that is divided into various “tranches” based on maturity dates, prepayment priorities, etc.

Where will REMIC information be reported?
As of last year, your Consolidated Form 1099 includes mortgage backed security income reporting information, including the details and the supplemental information you may need in order to file your tax return.

I sold a security short during 2016 but have not yet closed the position. Why weren’t the proceeds from this transaction reported on my 2016 Form 1099-B?
The reporting requirements have recently been changed to report the short sale for the tax year when you deliver the shares to close the transaction. The applicable sale date and acquisition date are determined in accordance with the revised IRS instructions for the Form1099-B. Please note: the date of sale in Box 1a of the Form 1099-B is now the date the closing position shares are delivered into your account, not the date you sold the short position.
Where can I find additional information on how to report worthless securities?
To find information on worthless securities, please review IRS Publication 550, Investment Income and Expenses.

What types of activities qualify as a “wash sale?”
A sale or disposition of stock or securities may qualify as a wash sale under the following circumstances: 1) a loss occurs, and 2) within 30 days before or after the sale or disposition of stock or securities you purchase substantially identical stock or securities, acquire substantially identical stock or securities in a fully taxable trade, or enter into a contract or option to acquire substantially identical stock or securities.

We are required to track and report this information only for covered securities with the same CUSIP number in the same account. Taxpayers may have to report additional information, please refer to your tax advisor for additional questions you may have regarding wash sales. You can also find additional information in the 2016 Instructions for Schedule D (and Form 8949) and IRS Publication 550.

Do the Forms 1099 contain any supplemental state tax withholding information?
If we were required to apply state backup withholding, we include a State Tax Withholding Statement with your Form 1099 (following the Consolidated Form 1099) so that you can take a credit for that withholding on your state income tax return.

Do you provide additional information to my state for state tax reporting purposes?
Most states obtain Form 1099 information directly from the IRS. However, UBS is required to provide additional information if your mailing address was in the following states as of December 31, 2016: California, Connecticut, Massachusetts, Maine, Minnesota, Montana, New York, North Dakota and Oklahoma. Generally, this information is related to payments you received from municipal bonds or funds.

Does UBS provide the ability to download data from tax forms?
As previously explained on page 9 of this document, UBS participates with several software programs to enable you to download your tax forms. UBS tax information can be downloaded to Turbo Tax, H&R Block, Tax Form Drop-Off (Lacerte), Tax ACT and CCH.

The new download process requires the client to have the UBS account number and Document ID provided on each of Form(s) 1099 statement in order to download tax data. If you previously enrolled to download your Form(s) 1099, those credentials (username and password) are no longer valid or necessary. When you receive your document through the mail or through e-Delivery, the document will contain the UBS account number and Document ID necessary to download the information.

Important note: If you have multiple accounts, you will need to download each account. Each 1099 document contains one UBS account number and one unique Document ID.

What tax software programs are compatible with UBS?
UBS tax information can be downloaded to Turbo Tax, H&R Block, Tax Form Drop-Off (Lacerte), Tax ACT and CCH.

What are the tax implications of investing in a foreign security?
Income from foreign securities or mutual funds that invest in foreign securities may be subject to a withholding tax by the country from which it was paid. Forms 1099-DIV and 1099-INT report the gross amount of dividends and interest respectively and the amount of foreign tax, if any, withheld at the source. For your convenience we have included a newly added section to your Consolidated Form 1099 titled “Foreign Income and Taxes Summary.” This section lists all income and foreign tax by country. You must report the gross amount of the dividend on your tax return; however, you may also be able to take a deduction or receive credit for taxes paid to a foreign country. For more information, please consult your tax advisor or refer to IRS Publication 514, Foreign Tax Credit for Individuals.

Why are nondividend distributions being reported on my Forms 1099?
Based on IRS regulations, these distributions are required to be reported to you and to the IRS. Nondividend distributions generally reduce the cost basis of your investment. This may be important when you dispose of your investment and need to calculate your gain or loss.
What are qualified dividends?
Qualified dividends are dividends that are subject to the same 0% to 23.8% tax rates that apply to long-term capital gains. They are shown on your Form 1099-DIV, Box 1b. You must meet a holding period requirement to report these dividends as qualified dividends. For common stock dividends, you must hold the dividend paying security for more than 60 days during the 121-day period that begins 60 days before the ex-dividend date. Additional information on qualified dividends can be found in IRS Publication 550, Investment Income and Expenses.

Where are tax-exempt dividends from money market funds and mutual funds reported?
Tax-exempt dividends from both money market funds and mutual funds are reported on Form 1099-DIV. However, it is possible for income from tax-exempt mutual funds to be reported on both Forms 1099-INT and 1099-DIV.

Can I receive an e-mail notification when my tax forms are available for viewing on UBS Online Services?
Yes, all accounts enrolled in e-Delivery of tax reports will receive an e-mail when tax forms are available. To check your e-Delivery settings, click on “Profile Settings” within UBS Online Services on the top of the page, then click “Go Paperless-Enroll in e-Delivery.” Please note: it can take up to 48 hours for e-Delivery alert changes to take effect.

Where can I find my tax reports on UBS Online Services?
Tax reports can be found under the My UBS Accounts tab, then Account Documents if you have the new Online Services. If you are not yet on the new Online Services you can find your tax reports under Accounts tab, the “Statements and Reports” section. You can search for your tax reports using one or multiple accounts.
Additional resources and information

All IRS forms and publications are available through the IRS Forms and Distribution Center at (800) TAX-FORM or on the web at www.irs.gov.

For taxpayer assistance, you may call the IRS Taxpayer Assistance Line at 800-829-1040.


All current publications can be viewed on the IRS website under Forms & Publications > Current Forms and Pubs

- Publication 17—Your Federal Income Tax (For Individuals)
- Publication 54—Tax Guide for U.S. Citizens and Resident Aliens Abroad
- Publication 505—Tax Withholding and Estimated Tax
- Publication 525—Taxable and Nontaxable Income
- Publication 514—Foreign Tax Credit for Individuals
- Publication 544—Sales and Other Dispositions of Assets
- Publication 550—Investment Income and Expenses
- Publication 590—Individual Retirement Arrangements (IRAs)
- Publication 938—Real Estate Mortgage Investment Conduits (REMICs) Reporting Information (And Other Collateralized Debt Obligations (CDOs))
- Publication 1212—Guide to Original Issue Discount (OID) Instruments

Limited Partnership Contact Information
Please refer to www.k1support.com for partnership contact information.

REMIC and WHMT Guide Information
www.ubs.com/remicinformation

States Contact Information
The below hyperlinks provide you with contact information you may need for the various states.
- California—https://www.ftb.ca.gov/aboutFTB/contact.shtml?WT.mc_id=Global_Utility_Contact
- Maine—http://www.maine.gov/revenue/contact.html
- Minnesota—http://www.revenue.state.mn.us/Pages/contact_us_page.aspx
- Montana—https://revenue.mt.gov/about
- North Dakota—http://www.nd.gov/tax/about/contact-us
- Oklahoma—http://www.ok.gov/triton/contact.php?ac=281&id=257