

Tax ID# Truncated

In order to mitigate the risk associated with identity theft, Stifel will truncate Tax ID#s by replacing the first five digits of the nine-digit number with Xs (e.g., XXX-XX-1234). Beginning with the tax year 2014, ALL Tax ID#s, including EINs, could be truncated. Regardless of truncation on the hard copy form, the taxpayer's entire ID# will be reported to the IRS.

Payer

All payer information is located on the upper right side of the 1099. This information should be on each document and should be used for reporting any income on the taxpayer's tax return. Stifel is generally listed as the Payer, except for the "2439," in which case Stifel is listed as the Nominee.

- On the Form 2439, the payer is generally the RIC or REIT. The payer information should be reviewed by the tax preparer in order to ensure proper reporting.
- **Payer: Stifel, Nicolaus & Company, Incorporated**
- **Payer Tax ID: 43-0538770**

Interested Party Duplicate Tax Forms

Stifel can provide a duplicate copy of 1099 tax information directly to interested parties, such as a qualified tax professional (CPA), Attorney, or a Trustee. Please contact your Financial Advisor for the appropriate paperwork.

Form # ITPR (Informational Third-Party Release) is required in order for Stifel to honor such a request.

Short Sales

Starting with transactions occurring after **January 1, 2011**, IRS regulations require short sales to be reported for the year the short sale was closed. Any paydowns or other transactions that took place before the short sale was closed may affect the reportable proceeds related to the sale. **See IRS publication 550** for additional reporting details.

Wash Sales

For the tax year beginning January 1, 2012, and later, under the new cost basis regulations, Stifel is required to report "Disallowed Losses" on "Covered" securities on the Form 1099-B to both the taxpayer and the IRS.

- **Definitions:** If within a period beginning **30** days before the date of the sale or disposition and ending **30** days after that date, an investor has acquired, or

has entered into a contract or option to acquire, a "**Substantially Identical**" stock or security, the investor cannot claim a loss on the sale during the current year. This can include but is not limited to equities, mutual funds, and options, etc.

- **Note:** If you are on a dividend reinvest plan and are also taking distributions from the same security you are reinvesting in, you could generate several wash sales during the year. Stifel will only report wash sales for the same security held in the same account at Stifel. The client is responsible to report wash sales for substantially identical securities and trades that occur at other firms that may cause a wash sale.

REMICs/CDOs and WHMTs

Stifel will provide REMIC and WHMT information by March 15 for any holder of a real estate mortgage investment conduit (REMIC), collateralized debt obligation (CDO), or widely held mortgage trust (WHMT). If an investor held any one of these, the investor will receive Tax Documents in March and a "Delay Letter" in February.

Royalty Trust Holders

Stifel will no longer do a separate mailing to Royalty Trust holders notifying them of additional information needed. Instead, a disclosure will be added to the "Important Information" section on ALL 1099s. All Royalty Trust booklets can be located on the Stifel website under Individuals/Tax Reporting Information/Royalty Trust.

Legends

Various legends may appear at the bottom of designated sections in order to clarify the taxability of certain items. See the "End Notes" at the end of your Tax Document for a detailed explanation.

Multiple Accounts/Separate Forms

If investors hold multiple accounts at Stifel, each account will receive a separate 1099 relating to transactions that took place in that account. The registration on the Tax Forms, as well as the Tax ID (**SSN, ITIN, ATIN, or EIN**) on the statements should be verified to ensure all transactions are reported to the IRS under the correct registration and number.

Minimum Amounts to Receive 1099

In order to receive a 1099 from Stifel, certain minimum taxable income thresholds must be met. This is the minimum amount required by the IRS for Stifel to issue a specific form.

- **The minimum is on a per-form basis not a combination of all the forms that make up the 1099 consolidated statement.**

FORM	Minimum Amount to Issue
1099-DIV	\$10 or More (Except \$600 or more for liquidations)
1099-INT	\$10 or More (In some cases, \$600 or more)
1099-B	ALL
1099-OID	\$10 or More
1099-MISC	Rent or Royalty Payments: Generally \$600 or more, except \$10 or more for royalties.
	Substitute Dividends and Tax-Exempt Interest Payments Reportable By Brokers: \$10 or More
1099-C	\$600 or More
1099-OID REMIC	ALL
WHMT Statement	\$10 or More
1042-S	ALL
1097-BTC	ALL
2439	ALL
480.6 (A -D)	ALL
1099-Q	ALL
1099-R	\$10 or More
5498	ALL
5498-ESA	ALL

- Per IRS Notice 2017-09, Stifel will only issue corrected forms to accounts that had reportable changes of more than \$100 or changes in withholding of more than \$25. The new cost basis regulations do not stipulate a correction minimum on covered lots; therefore, even if the cost basis on a covered lot is adjusted by an immaterial amount, a corrected form will still be issued.

Bankrupt or Worthless Positions

Due to the complexity of bankruptcy proceedings, not all bankruptcies are reported as such on the 1099-B in the year they occur. It is the client's responsibility to account for a worthless bankrupt security the year it becomes worthless. Stifel will report the Bankruptcy on the "Non-Federally Reportable Section" if the issuer provides us with supporting information that the security is truly worthless. We also provide "Abandoned" security information on our "Non-Federally Reportable" Supplemental Schedule for

informational purpose. These should be discussed with a qualified tax professional to determine when to take the loss on a tax return.

- > Description: (Bankruptcy/Abandonment)

Taxable Accounts

If an account is an Individual, Estate, Partnership, Joint, Investment Club, S-Corp, Trust, or UGMA/UTMA account and had taxable activity, a Form 1099 will be issued for the current year.

Exempt Account

If the account is an exempt account for reporting purposes, such as a Corporation, Religious, Fraternal, Charitable or Non-Profit Organization, Broker-Dealer, Bank, School District, or Municipality, Stifel is not required under IRS guidelines to issue a 1099 for current year transactions and activity.

- If clients fall under one of these categories or another exempt category and would like to receive a 1099, they should contact their Financial Advisor and request a complimentary 1099 for their records.

S-Corps Versus C-Corps

If a **C-Corp** doesn't provide a valid **W-9** to Stifel, under the cost basis regulations, Stifel must assume the entity is a **S-Corp** for backup withholding and reporting purposes. Under the cost basis regulations, if an entity certifies they are a **S-Corp** with a valid **W-9**, Stifel must report the proceeds to the taxpayer and the IRS on a **1099-B**, beginning with the tax year ending December 31, 2011; all other forms will be complimentary.

Back-Up Withholding

If a signed **W-9** was not provided to Stifel within **30 days** of the account opening and reportable taxable transactions are credited to the account, the account is subject to backup withholding at a rate of 24%, which will be reflected on Form 1099.

- > **California:** The state of California also requires that 7% state backup withholding applies on Gross Proceeds and Miscellaneous Income if federal backup withholding applies.
- > **Maine:** The state of Maine also requires that 5% state backup withholding applies on Gross Proceeds, Miscellaneous Income, Dividends, and Interest if federal backup withholding applies.

Estimated Tax Payments

Estimated tax payments made through an account held at Stifel will not be reported on a 1099. It is the client's responsibility to know what estimated payments have been made to the IRS and properly

account for them on their return. The distributions will be reflected on the monthly statement.

Foreign Flow-Through Entities

Investors who are part of a Foreign Partnership, Foreign Grantor Trust, or Foreign Simple Trust may receive a 1099 or a 1042S from Stifel that was triggered by transactions that took place within the foreign partnership. The partnership or trust that triggered the taxable event will be identified on the IRS Form 1042S.

Per IRS regulation, we are required to report the taxable event directly to the beneficial owner on the appropriate form. Taxpayers should consult with a qualified tax professional on how to account for the information on their individual return.

Transferred Accounts

If an account transferred to Stifel during the year, Stifel will report taxable transactions that took place from the time the account was established at Stifel until the end of the year. The previous firm should issue a statement for any transactions that took place from the beginning of the year until the account was transferred to Stifel. The account holder should receive both statements before completing a tax return.

Differences Between Tax Information Statements (i.e., 1099s) and Brokerage Account Statements

There are different reporting rules that Stifel is required to follow for reporting 1099 taxable transactions versus activity on the monthly statement. For example, certain transactions involving regulated investment companies (RICs) are required to be reported on the 1099 when declared versus reported on the statement when they are actually paid.

There are also tax reporting reallocations that take place after year-end on certain securities that change or adjust payments, making them appear different on the 1099 than on the statement. A unit investment trust (UIT) security could have paid a dividend on the statement and now, at year-end, reclassified some of the payment as return of capital. The reallocations are provided to Stifel straight from the issuers, and we are required to adjust our records accordingly.

Tax Preparation Software

Stifel offers the ability to download 1099 information directly into TurboTax® and H&R Block® for investors. This capability also includes the current cost basis information that Stifel has on file for any 1099-B transaction for the current year. Stifel is not responsible for any misreporting on an individual's tax return that may occur when using the download function for the client's 1099 information. Stifel does

not support the download process for all 1099s; therefore, Stifel does not guarantee this information is complete or correctly downloaded onto the taxpayer's income tax return. All information should be reviewed and compared with hard copy documents, including, but not limited to, 1099 statements, buy/sell confirmations, and periodic statements provided by Stifel, as well as discussed with a qualified tax professional.

IRA Distributions and State Withholding

If you received a distribution from your IRA during the current year, you may be subject to mandatory state withholding.

Mandatory States	Notes
CT	6.99%; Requires Form CT-W4P to Waive
DC	8.95% If age < 59.5 & Lump Sum, Not Roth IRA
DE	5% If Federal Tax Is Withheld
IA	5% If Federal Tax Is Withheld
KS	4.5% If Federal Tax Is Withheld
MA	5.10% If Federal Tax Is Withheld
ME	5% If Federal Tax Is Withheld
MI	4.25% If IRA Holder Was Born in 1946 or After; Requires Form MI-4P to Waive
NC	4% When Federal Tax Is Withheld; Requires Form NC4P to Waive
OK	5% If Federal Tax Is Withheld
VT	2.7% If Federal Tax Is Withheld

PUTS		
When a Put:	Option holder: (Buyer of PUT)	Option writer: (Seller of PUT)
Is Exercised	Reduce the amount realized from sale of underlying stock by cost of the put on IRS Form 8949 (Clients exercised option to sell stock with the put they bought)	Reduce the cost in the stock purchased by the amount received for the Put (Clients are assigned the stock to buy on the put they sold)
Expires	Report the cost of the put as a capital loss on the date it expires on IRS Form 8949	Report the amount received for the put as a “short-term” capital gain on IRS Form 8949
Is Sold By Holder	Report the difference between the cost of the put and the amount received for it as a capital gain or loss on IRS Form 8949	Not applicable (but if the put is bought back, report the difference between the amount received for the put as a short-term capital gain or loss) on IRS Form 8949

CALLS		
When a Call:	Option holder: (Buyer of CALL)	Option writer: (Seller of CALL)
Is Exercised	Add the cost of the call to the basis on the stock purchased on IRS Form 8949 (Client exercised an option to buy stock with the call they bought)	Increase the amount realized on the sale of the stock by the amount received for the call on IRS Form 8949 (Clients are assigned the stock to sell on a call they sold)
Expires	Report the cost of the call as a capital loss on the date it expires on IRS Form 8949	Report the amount received for the call as a “short-term” capital gain on IRS Form 8949
Is Sold By Holder	Report the difference between the cost of the call and the amount received for it as a capital gain or loss on IRS Form 8949	Not applicable (but if the call is bought back, report the difference between the amount received for the put as a short-term capital gain or loss) on IRS Form 8949

Short Calls and Short Puts – Premiums received for writing short options are not included in income at the time of receipt. The option premium is reported when the option either expires, the writer sells or buys the underlying stock due to assignment, or the writer enters into a closing transaction.

- > Keep in mind that, on these transactions, if the option expires or the writer enters into a closing transaction, the holding period is **ALWAYS** considered **Short-Term**.
- > If the option is closed by assignment, the holding period will depend on the underlying stock.

Reporting Options/Rights/Warrant Transactions

Since 2014, all reportable Options, Rights, and Warrants must be reported on the 1099B. This includes “Covered” and “Non-Covered” securities.

The option details for security transactions involving assigned and exercised options will appear in the additional information column of the 1099-B detail section. Please keep in mind that Stifel has already adjusted the proceeds of transactions and cost basis for all assigned and exercised options and the numbers provided are simply for informational purposes.

Items That Stifel Does Not Report

- > **Partnership K-1s:** Stifel is not responsible for determining the tax consequences of a client’s investment in partnerships held at Stifel. Stifel will generally show all distributions from partnerships that are credited to the client’s account as partnership distributions. The partnership will issue a K-1 to them as a partner that shows how their annual distributions are to be taxed. Stifel will show the distribution in the Non-Reportable section of our 1099, and a statement will appear on the front page of the 1099 alerting the client to the fact that they owned a partnership and shouldn’t file their tax return until they receive the annual K-1 from the partnership.
- > Please see the “Unrelated Business Taxable Income (UBTI)” tab for information relating to Stifel’s process regarding certain partnership income within an IRA.

➤ **Form 5500:** If the client has a qualified plan at Stifel and the plan is required to file Form 5500 or perform ACP/ADP testing, etc, they should seek either a qualified tax professional or a third-party administrator to assist them. Stifel does not provide any of these services for qualified plans that are housed at Stifel.

➤ **“Non-Covered” Securities Cost Basis**

Information: The new cost basis regulations are phased in from **2011 – 2016**. For all securities that are not covered by the cost basis regulations, Stifel provides cost basis information to our clients on a best efforts basis. All “Non-Covered” securities are the responsibility of the client to report on the individual tax return correctly. Stifel does not report the cost basis of “Non-Covered” securities to the IRS.

➤ **Annuities and Mutual Funds That Are Not Held Directly at Stifel:** If the client has an annuity or a

mutual fund networked to a Stifel account, the annuity company or mutual fund company will issue a 1099 for taxable transactions that took place at the annuity company or at the mutual fund. If the client has one of these accounts networked to an **IRA** at Stifel and made contributions or took distributions from the account, the **1099-R or 5498** will be issued by the annuity company or mutual fund company where the actual account transactions took place.

Cost Basis Defaults on Sales

Stifel uses the **IRS default first in, first out (FIFO) method** for all sales that take place within our system if there are multiple lots. If you prefer alternate standing tax lot relief instructions or basis calculation methods, please contact your Financial Advisor for additional information and options.

Cost Basis Reporting Requirement

With the implementation of the cost basis regulations in 2011, Stifel is now required to report certain cost basis information on the 1099-B as well as to the Internal Revenue Service. The required information has been phased in over a five-year period for securities acquired on or after the dates listed below (i.e., Covered Securities). If the security was acquired before these dates, it is the clients' responsibility to properly track their cost basis and report the correct amount on their Individual Tax Return. Stifel will show the amount clients are responsible for as a "Non-Covered" Tax Lot. This information is shown on a "best efforts" basis by Stifel. We will only report the proceeds information to the IRS for "Non-Covered" tax lots. All cost basis for "Covered" tax lots will be reported to the client and the IRS by Stifel.

Acquired on or after January 1, 2011

- Equities
- Real Estate Investment Trusts (REITs) and American Depositary Receipts (ADRs)
- Exchange Traded Funds (ETFs) organized as Unit Investment Trusts (UITs)

If any of the above are part of a dividend reinvest plan (DRIP), they're not considered covered until January 1, 2012.

Acquired on or after January 1, 2012

- Mutual Funds (Excluding Money Market Funds)
- ETFs organized as regulated investment companies (RICs), other than UITs
- Equities acquired through a dividend reinvestment plan (DRIP)

Acquired on or after January 1, 2014

- Options
- Straightforward debt – debt instruments with common terms and contingencies:
 - Debt instruments that provide for a single fixed payment schedule and for which a yield to maturity can be determined under general OID rules
 - Debt instruments with alternative payment schedules for which a yield and maturity can be determined under the alternative payment schedule rules, including the unconditional option rule
 - Debt instruments for which a yield can be determined under the fixed yield instruments rule

Acquired on or after January 1, 2016

- Complex debt instruments:
 - A debt instrument that provides for more than one rate of stated interest (for example, a debt instrument with stepped interest rates)
 - A convertible debt instrument (that is, one that permits the holder to convert it into stock of the issuer)
 - A stripped bond or coupon
 - A debt instrument that requires payment of either interest or principal in a currency other than the U.S. dollar
 - A debt instrument that entitles the holder to a tax credit (or credits)

- A debt instrument that provides for a payment-in-kind feature
- A debt instrument issued by a non-U.S. issuer
- A debt instrument for which the terms of the instrument aren't reasonably available to the advisor within 90 days of the date the debt instrument was acquired by the client
- A debt instrument issued as part of an investment unit (for example, a debt instrument issued with an option, security, or other property)
- A debt instrument evidenced by a physical certificate, unless such certificate is held (whether directly or through a nominee, agent, or subsidiary) by a securities depository or by a clearing organization described in Treas. Reg. § 1.1471-1(b)(18)
- A contingent-payment debt instrument
- A variable-rate debt instrument
- An inflation-indexed debt instrument (for example, a Treasury Inflation-Protected Security)
- Any other debt instrument not described above

Debt instruments that will never be covered

- Short-term obligations
- Any regular interest in a REMIC
- Collateralized Debt Obligations (CDO)
- Collateralized Mortgage Obligations (CMO)
- Debt instruments whose payment can be accelerated by prepayments of other obligations securing the debt instrument
- Any pool of debt instruments for which yields can be affected by reason of prepayments