

Updated tax statements and income reclassification

If you own *Ameriprise*[®] brokerage account(s), Managed Account investment(s) or Columbia mutual fund(s) that are not part of an IRA or other retirement plan, you may receive updated tax statements from Ameriprise Financial due to income reclassification. Broker-dealers like Ameriprise, receive income reclassifications and other similar adjustments from companies that issue stock, bonds or mutual funds shares after year-end statements have mailed.

Work with a qualified tax professional to determine how these changes may affect your tax returns.

This article provides:

- Explanation of income reclassification
- Tax reporting requirements for companies
- Tips to help you during tax season

Explanation of income reclassification

Income reclassification refers to changes companies make to all or part of previously reported dividend (or interest) income to some other tax classification.

- A reclassification from a taxable dividend to a return of capital can occur in many types of investments such as stock of companies, mutual funds, Real Estate Investment Trusts (REITs), etc., due to the following sequence of events:
 - A dividend is a payment which is believed to be a distribution of a company's earnings and profits
Note: A distribution by a corporation is taxed as a dividend to the extent of the corporations' earnings and profits, and any distribution in excess of the earnings and profits is generally a non-taxable return of capital
 - In some cases, a company may realize after the end of the year that it had paid out more in distributions than its earnings and profits
 - In this situation, all or part of the distribution may be reclassified from a taxable dividend to a return of capital which is generally non-taxable
- In addition to returns of capital, other types of reclassifications can occur for investments such as mutual funds, Unit Investment Trusts (UITs) or REITs, because they make dividend distributions which may include other income types which qualify for special tax treatment, e.g. capital gain distributions or exempt-interest dividends. The most common types of reclassifications are:
 - Dividend to long-term capital gain distribution
 - Foreign tax paid (a tax credit) added to dividend
 - Dividend to exempt-interest dividend

- Investment expense updated
- Year-end tax statements sent to you by the IRS mailing deadline¹ report information we receive about the investments
 - This information may change because issuers update their information as part of their year-end audit and reporting processes
- Tax statement updates due to income reclassifications are more likely for certain investments
 - Review [Investment types most likely to reclassify each year](#) to understand if your investments may be impacted.
 - If you own an investment likely to reclassify talk to a qualified tax professional about delaying filing your tax returns until early April to avoid re-filing.

Tax reporting requirements for companies

Under the law and IRS regulations:

- If a company (including a mutual fund) makes a distribution in excess of its earnings and profits (a return of capital), or if a company takes other actions that affects the cost basis of the company's stock, the company must provide issuer statements to the public indicating that they have an organizational action, including a factual redetermination, (e.g., a return of capital) within 45 days of the action, or by Jan. 15 of the following year, whichever is earlier. IRC § 6045B(b)
- If a company needs to correct previously declared distributions, the company has 45 days from the time the new information is identified to provide updated information to financial institutions and the IRS. IRC § 6045B(b)
- Financial institutions that receive updated information from companies are required to provide amended tax statements within 30 days to clients and report the updates to the IRS. Treasury regulation § 301.6721-1(b)

Tips to help you during tax season

- Companies generally provide Ameriprise with updated income information between February and late March.
 - Ameriprise receives updated income information from companies up to, and even past the filing deadline every year
 - Financial services companies that receive updated income information from a company/investment provide updated tax reporting information to clients who own that investment²
 - Updated tax statements are produced and mailed periodically
 - You may receive multiple updated tax statements at different times if you own multiple investments that provide Ameriprise with updated income information
 - Copies of updated statements are available online at the same time as they are mailed
- The majority of income reclassifications result in updated reporting on Form 1099-DIV, Dividends and Distributions
 - Tax updates can also include other statements depending on the information provided by the company and the activity within the account

- Reclassifications that change cost basis information for both covered and noncovered³ investments (i.e., return of capital) may result in an updated Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, if the underlying investment was sold during the year, but after the payment of a distribution that was later reclassified
- If you receive updated tax statements be aware that:
 - We will mail you only the tax statement(s) being updated or any new tax statements. If you previously received other 2016 tax statements that don't require updates they will not be resent to you.
 - The word "CORRECTED" will be printed on the Table of Contents next to the account number and at the top of the statement along with the date to identify the latest version.
 - New statements mailed after the IRS deadline, when no previous tax statement was sent for an account, will not say "CORRECTED" on the Table of Contents or on the tax statement.
 - A "C" will mark reclassified dividends on the supplemental "Detail for Dividend and Distribution" statement.
 - See "End-notes" on your tax statements for additional information.
 - If you previously imported your tax data into tax preparation tools, such as *TurboTax*[®], *H&R Block*[®] or the *Ameriprise* tax download tool, additional imports or manual adjustments may be needed.
 - **Note:** The Package ID and Document ID which are your login credentials will always remain the same as they were on the year-end tax package. Any subsequent import using these login credentials will capture the most up-to-date tax data for all accounts with 2016 tax data available for import from that package, whether they have been updated or not.
For more information visit [TurboTax[®] FAQ](#), [H&R Block[®] FAQ](#) or [Ameriprise tax download FAQ](#).

Contact

For questions about your account(s) contact:

- Your Ameriprise financial advisor
- Ameriprise Financial client service center at 800.862.7919, choose option 3 the prompt

¹The IRS mailing deadline is Feb. 15, 2017 for Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, and other forms related to an account that may receive Form 1099-B, even if no Form 1099-B is required because no sale occurred in the account. The Form 1099-B reports sales of securities.

²The Protecting Americans from Tax Hikes (PATH) Act of 2015 enacted by Congress provides a threshold of \$100 (\$25 for tax withholding) for corrections to tax information reporting statements sent to clients and filed with the IRS. This is the De Minimus Safe Harbor rule. The rules are available for tax reporting updates beginning with the 2016 tax year. For more information see [Tax filing FAQ](#).

³For more information about mandatory cost basis reporting requirements and for definition of covered and noncovered investments visit [Cost basis reporting FAQ](#).

Ameriprise Financial, Inc. and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

Investment products, including shares of mutual funds, are not federally or FDIC – insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.