

Investment types most likely to reclassify each year

Certain investment types are most likely to experience income reclassification and other adjustments made by issuers each year after original tax documents are generated for nonqualified¹ accounts. Income reclassification results in a change in tax character or tax treatment for some or all of the income (dividends and interest) that was distributed to investors during the year.

Ameriprise does not have prior knowledge of income reclassifications before we receive a notice from the issuing company, but clients who hold positions that have historically reclassified receive a notification of this in their initial tax statement package. We understand the importance of updating tax documents promptly after we are notified for our clients who are investors.

Direct or indirect investments in certain assets, such as real estate and commodities, are more likely to require reclassification. Clients may receive multiple updated tax documents if they hold multiple securities that issue reclassifications at different times.

The table below lists investments most likely to experience income reclassification, the reasons reclassification may occur, and the tax documents that may be updated due to reclassification.

Investment	Reasons for reclassification/updates	Tax documents
Real Estate Investment Trusts (REITs) ²	<p>After original tax statements are generated, Ameriprise can receive additional information from the trust regarding reclassification for multiple reasons including:</p> <ul style="list-style-type: none"> • Depreciation deductions for assets held by the trust • Gain or loss on sales of property held by the trust <p>Depreciation from real estate (or other deductions) may reduce the REIT's earnings and profits. REIT distributions in excess of earnings and profits are generally non-taxable (return of capital), so that a portion of the REIT's distributions paid to investors during the year would have to be reclassified as return of capital.</p>	<ul style="list-style-type: none"> • Form 1099-B^{3,4} • Form 1099-DIV³
Unit Investment Trusts (UITs) Taxed as a grantor trust	<p>See your UIT prospectus for information about the taxation of your investment. For UITs taxed as grantor trusts, investors are taxed on the trust's income and net gains, when received by the trust. Many UITs also provide tax information on their websites, which may include items such as cost basis allocation factors for sales of assets held in the trust, or depletion factors for UITs investing in oil and gas infrastructure.</p>	<ul style="list-style-type: none"> • Form 1099-B^{3,4} • Form 1099-DIV³ • Form 1099-INT³ • Form 1099-OID³

	<p>The trust may issue a reclassification for:</p> <ul style="list-style-type: none"> • Fees and expenses paid by the trust • Year-over-year dividend adjustments • Income and/or principal received by the trust which may be reclassified as qualified dividend income, return of capital, long-term capital gain or short-term capital gain, original issue discount, or interest. 	
<p>Unit Investment Trusts (UITs)</p> <p>Taxed as Regulated Investment Companies (RIC)</p>	<p>See your UIT prospectus for information about the taxation of your investment.</p> <p>For UITs taxed as RICs, see “Mutual Funds & ETFs” below.</p>	
<p>Mutual Funds & ETFs</p> <p>Taxed as Regulated Investment Companies (RIC)</p>	<p>Mutual funds invested in tax-exempt municipal bonds or REITs are the most likely to receive updated tax reporting.</p> <p>The fund may issue a reclassification for:</p> <ul style="list-style-type: none"> • <u>Return of capital</u>. A fund distributes most or all of its income each year and may determine after the end of the taxable year that it did not have current or accumulated earnings and profits available to support some or all of the dividend payments. Distributions in excess of earnings will be reclassified as return of capital (also known as a nondividend distribution). • <u>Dividend reclassification</u>. A fund may reclassify dividends from ordinary income to long-term capital gains. • <u>Other reclassifications</u>. Holdings within a fund can cause adjustments that change the nature of the income paid by the fund: <ul style="list-style-type: none"> – A fund invested in REITs may be affected if REITs in the fund make adjustments (see “REITs” above) – A tax-exempt municipal bond fund may update information due to the accounting/tax treatment of market discount; income from the bonds may be reclassified from tax-exempt to taxable – A fund invested in stocks may receive updated income reclassification information from the security issuer (See “Individual Stock” below) 	<ul style="list-style-type: none"> • Form 1099-B^{3,4} • Form 1099-DIV³
<p>Individual Stock</p>	<p>Corporations may make distributions to stock shareholders during the year. Distributions are treated as dividends to the extent of the corporation’s earnings and profits; and are treated as a return of capital to the extent that the</p>	<ul style="list-style-type: none"> • Form 1099-B^{3,4} • Form 1099-DIV³

	<p>distributions exceed earnings and profits (and reduce the shareholder's basis in the stock). Any distributions in excess of a taxpayer's basis in the stock is treated as a capital gain.</p> <p>The stock issuer may issue a reclassification for:</p> <ul style="list-style-type: none"> • Dividends: <ul style="list-style-type: none"> – Reported on Form 1099-DIV – Most are qualified (taxed at long-term capital gains rates), but some are not qualified (taxed at ordinary income rates depending on the issuing corporation and the holding period of the stock) – May be paid from current or accumulated earnings and profits • Other corporate actions, such as mergers or spin-offs 	
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See [Updated tax documents and income reclassification](#) for more information about tax reporting associated with reclassifications.

Additional resources

Visit the [irs.gov](https://www.irs.gov) website for more information:

- [Tax Topic No. 308 Amended Returns](#)
- [Amended Individual Income Tax Return FAQs](#)
- [Should I File an Amended Return?](#)

Contact

For questions about your account(s) contact:

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

¹ Nonqualified accounts are those that are not part of an IRA, education savings plan, or other retirement plan.

² Some of the REITs are broker-controlled, meaning that American Enterprise Investment Services, Inc. is responsible for tax reporting for these investments. We do not have advance knowledge about possible updated tax information we may receive from the issuers after the year-end statements have been mailed.

³ Form 1099-B, Proceeds From Broker and Barter Exchange Transactions

Form 1099-DIV, Dividends and Distributions

Form 1099-INT, Interest Income

Form 1099-OID, Original Issue Discount

⁴ Provided only if the asset was sold during the tax year. Reclassification can affect cost basis related to these sales.

Ameriprise Financial, Ameriprise Certificate Company and their affiliates do not offer tax or legal advice. Consult your tax advisor or attorney regarding your specific tax situation.

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