

## 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 statements are generated for your nonqualified accounts. Income reclassification means that some or all of the income (dividends and interest) that was distributed to investors during the year has changed tax character or tax treatment. The investments most likely to reclassify are Unit Investment Trusts (UITs), Real Estate Investment Trusts (REITs), mutual funds, commodity trusts, and individual stocks. Direct or indirect investments in certain assets, such as real estate and commodities, are much more like to require reclassification.

See [Updated tax statements and income reclassification](#) for more information about tax reporting associated with reclassifications.

The table below lists investments in the order most likely to experience income reclassification and includes the reasons the reclassification may occur as well as the tax statements that may be updated.

Investment type	Reason(s) for reclassification/updates	Potentially updated tax statements
<p>Unit Investment Trusts (UITs)</p> <ul style="list-style-type: none"> <li>• Regulated Investment Companies (RICs)</li> <li>• Grantor trusts</li> </ul>	<p><b>Note:</b> The following applies to UITs taxed as Grantor trusts. For UITs taxed as RICs, see “Mutual Funds” below.</p> <p>After original tax statements are generated, Ameriprise receives additional information from the trust regarding:</p> <ul style="list-style-type: none"> <li>• Fees and expenses paid by the trust and passed to unit holders</li> <li>• Year-over-year dividend adjustments</li> <li>• Income and/or principal received by the trust and distributed to unit holders 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.</li> </ul>	<ul style="list-style-type: none"> <li>• Form 1099-B<sup>1,2</sup></li> <li>• Form 1099-DIV<sup>1</sup></li> <li>• Form 1099-INT<sup>1</sup></li> <li>• Form 1099-OID<sup>1</sup></li> </ul>

Investment type	Reason(s) for reclassification/updates	Potentially updated tax statements
Non-Traded Real Estate Investment Trusts (REITs) <sup>3</sup>	<p>Reclassification occurs due to adjustments for the following reasons:</p> <ul style="list-style-type: none"> <li>• Depreciation</li> <li>• Gain or loss on sales of property</li> </ul> <p>Depreciation is a tax deduction available to a taxpayer who owns real estate property, like a building. It is an annual allowance for the wear and tear, deterioration, or obsolescence of the property which allows a taxpayer to recover the cost or other basis of the property. This affects the gain or loss on the property sale. Depreciation (or other deductions) may reduce the REIT's earnings and profits that would have been available to cover the distributions made during the year, so that the amount paid out to investors during the year would have to be reclassified as return of capital.</p>	<ul style="list-style-type: none"> <li>• Form 1099-B<sup>2</sup></li> <li>• Form 1099-DIV<sup>1</sup></li> </ul>
Mutual Funds	<p><b>Note:</b> Mutual funds invested in tax-exempt municipal bonds or REITs are the most likely to receive updated tax reporting.</p> <ul style="list-style-type: none"> <li>• A mutual fund pays out 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 available to support some or all of the dividend payments resulting in a return of capital.</li> <li>• A mutual fund may reclassify the designation of their distributions from ordinary income to long-term capital gains.</li> <li>• Holdings within a mutual fund make adjustments affecting the nature of the income paid: <ul style="list-style-type: none"> <li>– Mutual funds invested in REITs (e.g. Columbia Real Estate Equity Fund) may be affected because the REITs it holds make adjustments (see “REITs” above)</li> <li>– Tax-exempt municipal bond funds may update information due to the accounting/tax treatment of market discount (income reclassified from tax-exempt to taxable)</li> </ul> </li> <li>• Individual securities may provide updated income reclassification information (See “Individual Stock” below)</li> </ul>	<ul style="list-style-type: none"> <li>• Form 1099-B<sup>2</sup></li> <li>• Form 1099-DIV<sup>1</sup></li> </ul>

Investment type	Reason(s) for reclassification/updates	Potentially updated tax statements
Commodity Trust	<p>After original tax statements are generated, Ameriprise can receive additional information from issuers regarding taxable activity and fees within the investments that are passed through to the investors.</p> <p><b>Note:</b> commodities trusts, which are grantor trusts, will generally produce yearly 1099-B reporting reflecting the sale of the underlying commodity to cover the trust’s expenses. Investing in precious metals may generate next capital gains taxed at a special “collectibles” rate (currently set at a maximum of 28%).</p> <p>Common issuers with Ameriprise client holdings:  SPDR Gold Trust ETF (GLD/78463V107)  iShares Silver Trust ETF (SLV/46428Q109)  iShares Gold Trust ETF (IAU/464285105)  ETFs Physical Precious Metals Basket ETF (GLTR/26922W109)  ETFs Physical Swiss Gold ETF (SGOL/26922Y105)  ETFs Physical Silver ETF (SIVR/26922X107)</p>	<ul style="list-style-type: none"> <li>• Form 1099-B<sup>2</sup></li> <li>• Form 1099-DIV<sup>1</sup></li> </ul>
Individual Stock	<p>Companies that issue stock may make distributions to 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 distribution exceeds earnings and profits. Any distribution in excess of the basis is treated as a capital gain.</p> <ul style="list-style-type: none"> <li>• Dividends <ul style="list-style-type: none"> <li>– Reported on Form 1099-DIV</li> <li>– Most are qualified (taxed at long-term capital gains rates), but some are nonqualified (taxed as ordinary income rates depending on the issuing corporation and the holding period of the stock)</li> <li>– May be paid from current or accumulated earnings and profits</li> </ul> </li> <li>• Other corporate actions, like mergers or spin-offs, may result in a change to tax reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Form 1099-B<sup>2</sup></li> <li>• Form 1099-DIV<sup>1</sup></li> </ul>

<sup>1</sup>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

<sup>2</sup>Provided only if the asset was sold during the tax year. Reclassification can affect cost basis data.

<sup>3</sup>Some of the non-traded 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.

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