Corrected tax statements and income reclassification

If you own brokerage accounts and mutual funds that are not part of an IRA or other retirement plan, you may receive corrected tax statements due to income reclassification. Broker-dealers like Ameriprise Financial, receive income reclassifications and other similar adjustments from companies that issue stock or mutual funds after year-end statements have mailed.

This article provides:
- Explanation of income reclassification
- Tax reporting requirements
- 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 income to some other tax classification.
  - A dividend is a distribution of a company’s earnings and profits.
  - 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 have paid out more in distributions than it earned during the year.
  - 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.
  - A dividend may also be reclassified in other ways (i.e. the reallocation of ordinary dividends to tax-qualified dividends or dividends to capital gain distribution (for mutual funds)).
- Year-end tax statements sent to you by the IRS mailing deadline\(^1\) report information we receive from issuer companies.
  - This information may change after issuers complete their year-end audit and reporting processes.
- Tax statement corrections 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 you may want to delay filing your 2014 tax returns until late March or early April to avoid re-filing.

\(^1\)The IRS mailing deadline is Feb. 17, 2015 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. The mailing deadline for a tax statement is delayed if it falls on a weekend or federal holiday.
Tax reporting requirements
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 financial institutions (i.e., Ameriprise Financial) indicating that they have an action, including a factual redetermination, (e.g., a return of capital) within 45 days of the action, including a factual redetermination, or by Jan. 15 of the following year, whichever is earlier.

- If a company recalculates its dividends, either as part of its normal process or because it receives information from outside sources and needs to correct previously declared distributions, the company has 45 days from the time the recalculation is discovered to provide updated information to financial institutions and the IRS.

- 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.

Tips to help you during tax season

- Companies generally provide Ameriprise Financial with updated income information between February and late March.
  - Corrected tax statements are produced and mailed as we receive updated information from issuers.
  - Copies of corrected statements are available online at the same time as they are mailed.
  - You may receive multiple corrected tax statements at different times if you hold multiple investments that provide Ameriprise Financial with updated income information.
  - If you own investments which provide updated income information, you could receive corrected tax reporting from any financial services company who holds your nonqualified assets.
  - Ameriprise Financial receives updated income information from companies up to, and even past the filing deadline every year.

- The majority of income reclassifications result in corrected 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 noncovered investments (i.e., return of capital) may result in a corrected 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 corrected tax statements be aware that:
- Between Feb. 15 and April 15, a replacement of the entire tax package is provided and includes corrected and unchanged statements.
- After April 15, only the tax statement with corrected information is mailed.
- If a 2014 tax statement replaces a tax statement that was sent previously, the subsequent version will say “Corrected” at the top along with the date to identify the latest version.
- Original statements mailed after the IRS deadline, when no previous tax statement was sent for an account, will not say “Corrected” at the top.
- Corrections to reportable fields are indicated by listing a “C” after the dollar amount.
- 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.

• Work with a qualified tax professional to determine how these changes may affect your 2014 tax returns.

Contact
For questions call, Service Delivery at 800.862.7919, and say “Brokerage Service” at the prompt.