
**1099 CHANGES FOR TAX YEAR 2014 RELATED
TO NEW COST BASIS LEGISLATION**

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Tax season 2014 marks the start of the final phase of cost basis legislation. Certain fixed income securities and options purchased at Raymond James on or after January 1, 2014, are considered covered securities – meaning the cost basis and additional tax information is now reportable to the IRS. Fixed income securities and options purchased prior to 2014 are noncovered. Cost basis information for noncovered securities is only provided to the client (not the IRS), and it is up to the client to report information correctly for taxes.

The requirement for reporting additional information to the IRS, primarily for covered fixed income securities, brought a number of visual changes to the 1099 Composite. Bond premium/acquisition premium and market discount are some of the driving factors for 1099 changes that represent additional information that is reportable to the IRS. While Raymond James is required to report this information for covered fixed income securities, it is the responsibility of the client to calculate and report this information for noncovered fixed income securities.

Bond premium refers to purchasing a bond above par (face) value. For taxable bonds, bond premium can potentially represent a reduction to yearly income. Acquisition premium generally applies to zero coupon bonds, but can also apply to coupon paying bonds issued at a discount. It refers to buying an original issue discount (OID) bond above the adjusted issue price (AIP), but still under par value. Market discount refers to purchasing a bond below adjusted issue price, and is a form of interest that is taxable for both non-taxable and taxable bonds.

Fixed income cost basis regulations ushered in a fundamental shift in the tax information reporting responsibilities. The IRS has added new fields to several forms to address new reporting requirements, however it did not provide the granularity necessary to make tax filing convenient. Raymond James added the following information to make tax filing easier:

1099-INT - ADDITION OF BOND PREMIUM AND MARKET DISCOUNT:

- The IRS Form 1099-INT has a single box to report bond premium. Raymond James has expanded this box with four unnumbered lines to assist in reporting the four different types of interest income (taxable, treasury, tax exempt, tax exempt subject to AMT) that represent the total amount reported in box 11 (bond premium).

1099-OID - THIS FORM WAS CHANGED FROM AN AGGREGATE FORM FOR A CUSIP TO A FORM FOR EACH TAX LOT:

- Two new boxes were added: market discount and acquisition premium.
- Although there is a box for qualified interest, there is not a box for bond premium. In the past for OID bonds Raymond James has reported the qualified interest on the 1099-OID form. However, since the bond premium box only appears on the 1099-INT, all qualified interest has been moved to the 1099-INT so that the interest and bond premium can be shown together.

1099-B - ADDITION OF ACCRUED MARKET DISCOUNT RECOGNIZED AT DISPOSITION:

- A new combination box was added that can display either market discount or a wash sale disallowed amount.

A comprehensive document on 2014 cost basis legislation for fixed income and options is available at: www.raymondjames.com/costbasis

Helpful information on changes to the 1099 composite for tax year 2014 can be found at: www.raymondjames.com/taxreporting

1099 FORM CHANGES FOR TAX YEAR 2014 FOR FIXED INCOME AND OPTIONS

STATE TAX WITHHELD

This new section summarizes any state backup withholding done on the various types of income formerly reflected on Forms 1099-DIV, 1099-INT and 1099-MISC. The details still appear in the income details and the form's designated state tax detail section.

STATE TAX WITHHELD

The amounts shown in this section are presented for your reference. See details for state-by-state information.

1099-DIV total withheld	0.00
1099-INT total withheld	0.00
1099-OID total withheld	0.00
1099-MISC total withheld	0.00

The new detailed state reporting section contains the originating form, the state and the state ID, which was previously reported on the forms mentioned.

INTEREST INCOME, 1099-INT

Coordination with other forms - Information shown previously in several detail sections of the 1099 form is now aggregated in Form 1099-INT. It includes interest income, tax-exempt interest income, tax-exempt OID and taxable OID. There are provisions for reporting market discount and acquisition premium, but not for bond premium. Therefore, if there is bond premium on a taxable OID bond, the detail will be presented within the interest detail and summarized on Form 1099-INT (for covered lots) and a new summary of adjustments to income and OID (noncovered lots) described later.

Tax-exempt Original Issue Discount - For any covered tax lots of tax-exempt OID bonds, amounts of bond premium or currently recognized market discount must be reported in lines 10 and 11 (pictured below) of Form 1099-INT. Tax lot detail is found in the tax-exempt OID detail pages and is aggregated in the supplemental summary section covering adjustments to interest and OID.

INTEREST INCOME	2014 1099-INT*	OMB No. 1545-0112
1- Interest income (not included in line 3)	0.00	
2- Early withdrawal penalty	0.00	
3- Interest on US Savings Bonds & Treasury obligations	0.00	
4- Federal income tax withheld	0.00	
5- Investment expenses	0.00	
7- Foreign country or US possession:	6- Foreign tax paid:	0.00
8- Tax-exempt interest (includes line 9)		0.00
9- Specified private activity bond interest (AMT)		0.00
10- Market discount (covered lots)		0.00
11- Bond premium (total for covered tax lots, categorized below)		0.00
Non Treasury obligations		0.00
Treasury obligations		0.00
Tax-exempt obligations		0.00
Tax-exempt private activity obligations (AMT)		0.00
12- Tax-exempt bond CUSIP number (see instructions)	Various	
<i>The following amounts of tax-exempt original issue discount are not reported to the IRS.</i>		
Tax-exempt original issue discount (includes the line below)		0.00
Tax-exempt original issue discount private activity bonds (AMT)		0.00

Market Discount and Bond Premium

Market discount is reflected in line 10 and bond premium on line 11. To assist you in categorizing the type of bond, there are four unnumbered lines that reflect the amount of total bond premium attributed to non-Treasury obligations, Treasury obligations, tax-exempt obligations and tax-exempt private activity obligations.

From 1099-INT provides income figures in separate places: non-Treasury obligations (Box 1), US Treasury obligations (Box 3), tax exempt obligations (Box 8) and tax exempt obligations subject to Alternative Minimum Tax (Box 9). In many cases, bond premium paid on these securities can be used to offset income. Unfortunately, form 1099-INT provides only one box for bond premium amount (Box 11). To avoid the burden of calculating separate figures from the activity in Transaction Detail sections, the summary of form 1099-INT lists subtotals for the aggregate bond premium amount.

ORIGINAL ISSUE DISCOUNT INCOME SUMMARY

This section is an aggregation of all the Forms 1099-OID. Changes to the underlying forms are generally reflected in this section.

Foreign country and withholding – The IRS eliminated the boxes on Form 1099-OID that were devoted to foreign country and foreign tax withheld and identification of the related jurisdiction. Accordingly, the summary no longer has lines for aggregation of such amounts.

ORIGINAL ISSUE DISCOUNT INCOME SUMMARY

Use bond-by-bond details from the 1099-OID pages to determine reportable amounts of Original Issue Discount income for your tax return(s). The informational totals shown below appear for reference only.

Original issue discount for 2014	0.00
Other periodic interest	0.00
Early withdrawal penalty	0.00
Federal income tax withheld	0.00
Market discount (covered lots)	0.00
Total Acquisition premium	0.00
Acquisition premium- non Treasury obligations	0.00
Acquisition premium- Treasury obligations	0.00
Original issue discount on Treasury obligations	0.00
Investment expenses	0.00

Market Discount and Acquisition Premium

The Original Issue Discount Income Summary now has lines for reporting currently recognized market discount and acquisition premium.

ADJUSTMENTS TO INTEREST AND ORIGINAL ISSUE DISCOUNT

This is a new section for the summary pages. Items displayed in previous years, such as accrued interest paid, are found here along with new lines showing additional income or adjustments to income on noncovered fixed income holdings.

ADJUSTMENTS TO INTEREST AND ORIGINAL ISSUE DISCOUNT

The amounts in this section are not reported to the IRS. They are presented here for your reference when preparing your tax return(s).

Taxable accrued interest paid	0.00
Taxable accrued Treasury interest paid	0.00
Tax-exempt accrued interest paid	0.00
Tax-exempt accrued interest paid AMT	0.00
Taxable nonqualified interest paid	0.00
Nonqualified interest	0.00
Interest shortfall on contingent payment debt	0.00
Acquisition premium- Tax-exempt obligations (all lots)	0.00
Acquisition premium- Tax-exempt obligations AMT (all lots)	0.00

Taxable accrued interest paid

Previously, there were distinct lines dedicated to taxable accrued interest paid and taxable accrued interest paid on OID bonds. These now have been rolled into a single line which includes only activity related to taxable, non-Treasury instruments.

Acquisition premiums

For tax-exempt securities, the amounts of acquisition premium reflect all tax lots, covered or noncovered.

Taxable accrued Treasury interest paid

With the allocation of accrued interest paid between Treasury and non-Treasury instruments, you are able to judge immediately whether interest income reported on Form 1099-INT should be offset by premium on tax return only activity related to taxable, non-Treasury instruments.

ORIGINAL ISSUE DISCOUNT (1099-OID)

The IRS now requires that a separate Form 1099-OID be produced for each tax lot. Therefore, the OID pages have been redesigned to include only the accrual based information. Cash based events have been moved to the interest detail pages.

Payment level detail for other periodic interest, accrued interest paid and nonqualified interest received now appears within the interest detail pages. Bond premium is included with the interest details for three reasons: because it is an offset to that income, bond premium on non-OID bonds already appears there, and the IRS did not include a box for bond premium on Form 1099-OID with their instructions.

1- Original issue discount for 2014	0.00	
2- Other periodic interest	0.00	
3- Early withdrawal penalty	0.00	
4- Federal income tax withheld	0.00	
SUPPLEMENTAL SUMMARY INFORMATION (Not reported to the IRS)		
	0.00	
Original issue discount on Treasury obligations	0.00	
Investment expenses	0.00	
Market discount (covered lots)	0.00	
Total Acquisition premium	0.00	
Bond premium on covered lots (reported on Form 1099-INT)	0.00	
Bond premium on covered lots (reported on Form 1099-INT)	0.00	
Acquisition premium- non Treasury obligations	0.00	
Acquisition premium- Treasury obligations	0.00	
Market discount (covered lots)	0.00	
Market discount (covered lots)	0.00	
Taxable accrued interest paid on OID bonds	0.00	
Non qualified interest	0.00	
Taxable non qualified interest paid	0.00	
Shortfall of projected interest payment on contingent payment debt	0.00	
DETAILS OF INTEREST PAID & RECEIVED AND OTHER TRANSACTIONS		
Date	Amount	Transaction description
03/30/14	0.00	Nonqualified interest
06/30/14	0.00	Nonqualified interest
09/30/14	0.00	Nonqualified interest

Market discount and acquisition premium – The IRS added boxes 5 and 6 to facilitate reporting of market discount and acquisition premium for covered tax lots. This information was previously displayed in the supplemental section of the composite 1099 statement. To accommodate the columns needed for tax lots, several columns previously included in the accrual based display, including adjusted cost basis and bond premium, have been eliminated.

Secondary market adjustments – Although these amounts have always been part of our tax form, some now have designations as boxes.

Market discount – A column has been added to display market discount. For a covered tax lot, this will roll into the market discount total on Form 1099-INT.

Acquisition premium – A column has been added to display acquisition premium. All acquisition premiums for covered securities are included in the summary of adjustments to interest and OID.

Bond premium – Bond premium on a covered tax lot will appear in the transaction detail of tax-exempt interest. If covered it will be part of the aggregation of bond premium on Form 1099-INT.

Similar to 1099-INT, form 1099-OID has bond premium and acquisition premium amounts broken down by security type: non-Treasury, Treasury, tax-exempt and tax-exempt private activity obligations subject to Alternative Minimum Tax.

SALES TRANSACTIONS

This section summarizes sales proceeds and other information grouped by the definitions of IRS Form 8949.

The below example depicts the changes to headings, totaling and column additions.

SALES TRANSACTIONS

Proceeds, gains, losses and adjustments

Refer to the 1099-B and Proceeds not reported to the IRS pages to ensure that you consider all relevant items and to determine the correct gains and losses. The amounts shown below are for informational purposes.

Term*	Form 8949 type	Proceeds	Cost basis	Market discount	Wash sale loss disallowed	Net gain or loss(-)
Short	A (basis reported to the IRS)	191,615.25	193,701.11	0.00	0.00	-2,085.84
Short	B (basis not reported to the IRS)	27,382.39	29,122.13	0.00	0.00	-1,739.75
Short	C (Form 1099-B not received)	0.00	0.00	0.00	0.00	0.00
	Total Short-term	218,997.64	222,823.24	0.00	0.00	-3,825.59
Long	D (basis reported to the IRS)	202,249.09	165,905.88	0.00	0.00	36,343.22
Long	E (basis not reported to the IRS)	2,584,826.13	2,452,419.28	0.00	0.00	132,406.79
Long	F (Form 1099-B not received)	0.00	0.00	0.00	0.00	0.00
	Total Long-term	2,787,075.22	2,618,325.16	0.00	0.00	168,750.01
Undetermined	B or E (basis not reported to the IRS)	10,351.67	0.00	0.00	0.00	0.00
Undetermined	C or F (Form 1099-B not received)	0.00	0.00	0.00	0.00	0.00
	Total Undetermined-term	10,351.67	0.00	0.00	0.00	0.00
	Grand total	3,016,424.53	2,841,148.40	0.00	0.00	164,924.42
Withholding from Proceeds						
	Federal income tax withheld		0.00			
	State tax withheld		0.00			

Market discount

A new column has been added for market discount. Amounts in this column show the portion of the sale proceeds that are to be treated as ordinary income when a position is sold. The previous column that indicated where in the 1099 the lot level detail could be found (1099-B or Proceeds not Reported to the IRS) has been removed.

PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS (1099-B)

2 - LONG-TERM TRANSACTIONS**5 - COVERED tax lots 3 - Basis is reported to the IRS****

Report on Form 8949, Part II, with Box D checked

1a - Description of property/CUSIP/Symbol

1c - Date sold or disposed	Quantity	6- Reported (G)ross (N)et	1d - Proceeds & 1b - Date acquired	1e - Cost or other basis	1g - Adjustments & 1f - Code(s), if any
PHILLIPS 66 COMMON / CUSIP: 718546104 / Symbol: PSX 11/09/14	8.727	414.26	05/03/13	298.21	...

Wash sale loss disallowed and market discount

The column previously titled "Wash sale loss disallowed" (WSLD) has been renamed "Adjustments & Code(s)" and is now used to display either market discount or wash sale loss disallowed.

1a - Description of property/CUSIP/Symbol

1c - Date sold or disposed	Quantity	6- Reported (G)ross (N)et	1d - Proceeds & 1b - Date acquired	1e - Cost or other basis
Option Call - Bank of America / CUSIP: BACOPTCALL / Symbol: 12/19/14	0.000	0.00	01/15/14	0.00
12/24/14	4.000	0.00	10/03/14	0.00
12/24/14	4.000	0.00	10/03/14	0.00
Security total:		0.00		0.00

Cash settled options

Now included on Form 1099-B is cash settled options closing transactions and the special requirement for showing cost and proceeds when the closed position was a written option.

TRANSACTIONAL DETAIL SECTIONS

Detail for Interest Income

Security	CUSIP/Symbol	Date	Amount	Transaction type	
XYZ Corp Bond 05/15/2020 7.75%	989799BD9	1/15/14	750.00	Interest	
		1/15/14	-70.00	Bd prem covered	
		7/15/14	750.00	Interest	
		7/15/14	-72.00	Bd prem covered	
		Interest income:		1,500.00	
		Bd premium covered:		-142.00	
New Corp 6.45% 9/30/2017	555432AD0	03/30/14	500.00	Interest income	
		03/30/14	75.00	Mkt disc covered	
		09/30/14	500.00	Interest income	
		09/30/14	79.00	Mkt disc covered	
		Interest income		1,000.00	
		Mkt disc covered		147.00	
Total interest income:			2,500.00		
Total Mkt disc covered:			154.00		
Total Bd prem covered:			-142.00		

Total (covered) market discount will roll into totals on the 1099-INT and Original Issue Discount Income Summary. Total (covered) bond premium will roll into the total on the 1099-INT.

PREMIUM AND DISCOUNT FOR NONCOVERED BONDS

The 2014 cost basis regulations require brokerage firms, including Raymond James, to provide premium and market discount information to the IRS for covered securities. As such, the sections of the 1099 composite dedicated to this information are segregated into covered and noncovered sections. As in previous years, Raymond James does not provide premium and market discount adjustments for fixed income securities purchased prior to 2014

(noncovered bonds). Consequently, Adjustments to Interest and Original Issue Discount and the Transaction Detail sections for noncovered bonds will not show this information. It is the responsibility of the client to work with a tax professional to calculate and report this information for noncovered securities. Please note that brokerage firms do not report adjustments to income and cost basis for noncovered bonds to the IRS.

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INTERNATIONAL HEADQUARTERS: THE RAYMOND JAMES FINANCIAL CENTER

880 CARILLON PARKWAY // ST. PETERSBURG, FL 33716 // 800.248.8863

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